

**When Trees Have Bad Roots:
Tracing the Current Wave of Right-Wing Populism to the Theoretical Shortcomings of
Globalization**

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Abstract

This paper asserts the link between the current wave of right-wing populism and the theoretical flaws of our current system of globalization. In the same way that the wellbeing of trees can be traced to its root system, this thesis states that the rise of right-wing populists should have been expected, given the way in which globalization was engineered. In order to prove this point, the paper takes a brief look at the economic theories that went behind globalization, how these theories became implemented, who won and who lost as a consequence, as well as how these theories directly led to the factors that fed the rise of people and groups such as Donald Trump in the United States, Brexit movement in the United Kingdom, and the Alternative for Germany (AfD) party. Finally, the paper suggests that there is a need to change the current concept of globalization, and that in case changes do not occur, more chaos could lie ahead. The right-wing populists can be labeled as negative, but our way of exercising globalization is even more harmful.

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Chapter I: Introduction

Did you know that what you see above ground in your plants is really determined by what's hidden underground? What happens underground, where the plant roots live, drives plant growth. The bigger and healthier the root system, the bigger and healthier the plant.

- Bonnie Plants,

One of the biggest providers of consumer herb, vegetable, and gardening products in the USA

At first glance, the quote from above may have nothing to do with economics; however, the statement is well-suited for this thesis because it highlights the importance of ensuring that whatever people do, they need to start well, especially when it comes to designing a system that would rule global economics for an age to come.

The quote states that the plant parts which we see above ground are determined by the parts that we do not see under the ground. It also states that the health of the plant's visible part is correlated with the health of the parts that are hidden from plain sight. In the same way, this paper will assert that there is a link between the current wave of right-wing populism and the theoretical flaws of globalization.

Globalization is the plant that this paper looks at. As a matter of fact, it is a colossal tree whose branches and fruits affect the lives of almost every human being out there. The current wave of right-wing populism is one of the things this tree displays above ground, and the roots of the tree that the thesis title refers to is the set of theoretical principles that shaped our current globalization system. These principles, or rather roots, have been digging through the ground for centuries, but if we look beneath the soil to discover how sick these roots are, we would not

wonder about the things that we are currently seeing – high inequality levels, slow economic growth, and powerful entities winning at the expense of less powerful ones.

This paper does not deny that the tree of globalization provided its share of benefits to the world. A significant number of people benefitted genuinely from it, but the problem is that the issues surrounding globalization are gradually outweighing its benefits.

In order to establish the link between right-wing populism and the theories that shaped globalization, the paper seeks to understand what right-wing populism and globalization actually mean. The ideological roots of globalization are then explained in order to provide an understanding of how our world eventually implemented it. After this, the economic consequences behind this implementation are considered across three major categories of world economies before finally addressing globalization's winners, losers, as well as how this system fed the factors that eventually worked together to feed the trend here mentioned. Possible consequences that come with this wave are then mentioned with significant consideration of the things that were registered in history, and possible solutions for this problem are finally proposed.

No longer a laughing matter

In 1999 Nigel Farage, the leader of the United Kingdom Independence Party, was ridiculed by the European Parliament after stating that he was aiming “to lead a campaign to get Britain out of the European Union.” Back then the European Union was still in a honeymoon as it faced an exponential growth in optimism and in strength – the collapse of communism in the central and eastern area of the continent allowed Europe to enjoy a greater sense of unity, the Maastricht Treaty led to the creation of the Euro, and the full implementation of the single

market strategy toppled the region's borders, thus allowing people, goods, money, and services to move freely between countries.

Flash forward to June 2016, and we see this same Nigel Farage falling in jeers and making headlines for asking a question that agitated the European Parliament – “You are not laughing now, are you?” This was the Parliament's first session after the population of Britain's decision to vote in favor of Brexit. By this period, the EU had already been subject to a series of tests including refugee crises, an increase in terrorist attacks, and the European Debt Crisis in which bailouts to weaker economies including Greece, Portugal, and Spain made populations from wealthier states such as Germany and Britain wonder if they were not giving too much to Europe without addressing their own countries' needs.

In his 2016 speech, Farage mentions that the main reason which led people to vote this way was the implementation of the Lisbon Treaty, a deceptive copy of a proposed “political union” that had long been denied both by the British and the Dutch. He goes on to talking about yet another reason – the little, ordinary, and oppressed people of the land, who chose to “have their country back” from multinationals and investment banks after perceiving that the country that they were used to calling home was no longer theirs.

With the understanding that Brexit was a fever awakened by issues that many countries across the globe were also facing (i.e. paying the price of focusing too much on other nations rather than their own), Farage continued his post-Brexit speech with the prediction that the United Kingdom would not be the last country to leave the European Union. This is what this paper focuses on – the current wave of right-wing populism resulting from the theoretical flaws of the present system of globalization.

By looking at the European Union as an embodiment of globalization and Britain as a part of this system, we see that the British chose to say ‘enough’ of globalization. The Greeks went through a similar referendum in 2015, and the threat of the French doing so was high prior to Macron’s win of the 2017 presidential elections. A number of Germans are also concerned with the government’s willingness to receive Syrian refugees. As an answer to this worry, voters are increasingly opting for the populist Alternative for Germany Party (AfD), and a 2016 Italian referendum to oust Matteo Renzi, the nation’s globalization-friendly prime minister, left the world wondering whether the country will be next in the hands of right-wing populists.

Outside Europe, we see how other countries said no to globalization. For example, the United States voted for the surprise win of a president who appealed to the common masses under the campaign slogan “make America great again.” Philippine voters also elected Rodrigo Duterte for the country’s presidency in June 2016, and his promise was to rise against establishment politics and return power to the people. The country had also been deeply integrated into the global economy (Heydarian, 2017).

The choice that the above countries made against globalization is caused by globalization itself. As explained later on, the idea of countries working together for the prosperity of all is easy to invent on paper, but in practice, appropriate economic procedures and financial policies have to be orderly structured for it to work. Since this never became the case, a number of people became victims to a system that is benefitting only a few.

A handful of these victims have been fighting back without success and were left abandoned in isolation. Their plight fell on deaf ears for a significant period of time. Nevertheless, an increasing number of masses is joining them as isolationist ideas that were once a laughing matter – like those of Farage – are now gaining amazing strength.

Chapter II: An Overview

This paper defends that the current wave of right-wing populism is a result of globalization's theoretical flaws. These flaws bore fruit to schemes of financial liberalization and implementation of economic policies that are problematic because they allow world businesses to easily repatriate foreign investment, equip institutions such as the IMF and the World Bank with powerful tools that they should not have, and tend to confront the sovereignty of individual nations.

It would be unfair to discuss the concepts of right-wing populism and globalization without minimal understanding as to what these terms actually mean. To address this, some definitions of right-wing populism and globalization are given.

Right-Wing Populism: a definition

According to the Encyclopedia Britannica (2017), the term populism is essentially based on the idea of championing the cause of the common person, usually through a favorable contrast with an elite. The term can have different meanings. If applied in its most democratic form, populism seeks to defend the interest and maximize the power of the common citizen through reform rather than revolution.

The Encyclopedia specifies that nowadays this term is commonly applied in association with an authoritarian form of politics which revolve around a charismatic leader who appeals to the will of the people in order to consolidate power. This is the form of right-wing populism that this paper will address, but instead of using the term "will of the people," the paper will employ the phrase "fear and anger of the people" because the wave here discussed is based on insecurities and profound dissatisfaction towards a country's state of affairs.

Difference between Right-wing Populism and Nationalism

In the globalized world that we live in – where countries see interdependence as key for world peace (more on this later) – it is normal for the concepts of nationalism and right-wing populism to go hand in hand as being both negative. Due to this association, little research is available regarding the difference between these two concepts, but one key point is that they do not necessarily mean the same thing, but are highly related. For instance, the British Encyclopedia defines nationalism as an “ideology based on the premise that the individual’s loyalty and devotion to the nation-state surpass other individual or group interests.”

This means that the focus of nationalism is the country, and despite the country being portrayed as the same focus for right-wing populists as well, De Cleen (2017) specifies that “nationalism is a discourse structured around the nodal point nation,” when “populism is a discourse centered around the nodal points *the people* and *the elite* [emphasis added].” For example, a government can be nationalistic by getting rid of social divisions comparable to those from feudal ages simply because it believes that it would be better for the nation to abandon this tradition; however, a populist government can rise up with the backing of peasants who see themselves as the silent, oppressed majority that has to antagonize itself against the country’s elite in order for the nation to be better served.

De Cleen also specifies that populists “claim to represent the people-as-underdog and demand that politics follow the will of these people-as-underdog.” This representation is usually described as referring to the welfare of the entire nation-state, even when these people correspond to an insignificant portion of the entire population. This means that populism may or may not be nationalistic, especially if we are to consider the component of “fear and anger of the people.”

Nationalism in general can be responsible for the expansion, maintenance, and separation of countries for the sake of the nation and not of individuals. Populism can be responsible for uniting, maintaining, and dividing people for the sake of what it sees as the common person, who is also part of the underdog mass. Nationalists can use right-wing populism to promote their agenda, and populists can use nationalism to convince that the people need to be attended to.

These concepts are distinct, but the blurred line between them tells us why people choose to use them interchangeably. This thesis, however, uses the concept ‘right-wing populism’ instead of nationalism in order to capture three essential things:

- It is a movement driven by the fears of what has been hailed as the silent majority
- This silent majority is more concerned about its own wellbeing instead of the entire nation’s
- It is a movement led by individuals who act as demagogues (i.e. leaders of the people) against a perceived elite, such as politicians, institutions, and even immigrants who are seen as faring better than the average native

What the phrase “current wave” means

It is expected for nations to always have people who are moved by fear-based politics, and this fact can be used to easily downplay the reality that what we are seeing in the political landscape of the world these days is actually a trend. It would be normal for events such as Brexit and Duterte’s rise to power to take place years apart from each other. After all, every country goes through its own crises, and it is only natural for people to respond to these by pursuing desperate measures.

What the world has been witnessing throughout this decade, however, proves that this is not just one more example a population's natural adoption of fear-based politics. In such little time, people from an increasing number of countries have been responding positively to right-wing populist rhetoric. Highlighting this are the following:

- **Brexit and Nigel Farage (UKIP)**, who, as mentioned in Chapter I, went from being ridiculed when he first expressed his isolationist views to eventually influencing a major European power to leave the European Union. He claimed that he was voicing the cause of the people who felt disappointed by the EU's dealings, and pointed that Brexit was just the start of a bigger global movement
- **Donald Trump's election win and the US working class**, especially from the Rust Belt. These people saw him as the one who voiced their views and believed that it was time to "make America great again," which, for them, meant their abandoned factories would be rerun. Trump's appeal was high to such extent that people were willing to accept his rhetoric while choosing to ignore the reality that he is actually the member of an elite
- **The rise of the AfD party in Germany** - Despite being associated with the Nazi regime, the party is gaining more and more room in the country's parliamentary scene. By November 2017, the party was present in 14 of the country's 16 state parliaments and occupies 12.1 percent of the national parliament's seats. Additionally, the party became the third largest in the country since its formation in 2012. The party's manifesto revolves around sharp criticism of the Eurozone's centralization efforts, and the necessity to restore power to nations (Alternative for Germany, 2017).

Additional evidence of this populist trend is seen through France and Marie Le Pen, who was popular enough to become Macron's closest rival in the 2017 French elections; Brazil and Jair

Bolsonaro, who is exploiting the failures of the establishment's Michel Temer and former president Dilma Rousseff in order to convince voters that it is time to build a corruption-free country, and Rodrigo Duterte in the Philippines, a country that was once one of the most globalized in Asia, but fell in economic turmoil for some time.

These instances may not seem significant at first; however, the fact that they are occurring in countries which are historically seen as leading advocates for a globalized world is enough to at least make us suspect that there is a link between globalization and right-wing populism.

Overview of Globalization

Joseph Stiglitz (2003) states the following about globalization:

“Fundamentally, it is the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and (to a lesser extent) people across borders” (p. 9)

Globalization is especially driven by different dimensions of international integration in cost-effective ways. Integration is a process that consists of joining different specializations in a way that usually leads to interdependence, and cost-reduction encourages individuals from one country to look beyond their borders for things that their nation cannot provide as well as other places. This paper does not treat globalization as an abstract concept. It addresses it as an actual system that was designed and engineered with precise ideas of how the world should interact in economic terms. These are ideas that have been discussed and developing for centuries.

For instance, Adam Smith, who is known as the father of economics, understood in *An Inquiry into the Nature and Causes of Wealth of Nations* that the key for economic growth is the division of labor (Smith, 1776). For example, instead of having a single person tediously performing all aspects of shirt production (from cotton picking, spinning and weaving to adding the finishing touches), he understood that it would be more economically efficient to have different people across each of the stages. That is, person A would pick the cotton in a farm, person B would focus on the spinning process and allow C to do the weaving, person D would transport the fabric to person E, who would deal with the finishing touches, and so on. This idea was proven to be right during the Industrial Revolution, especially if one is to think about the arrival of technologies that were efficient enough to increase general output in exponential dimensions.

Smith's division of labor – or, for the purpose of this paper, division of output – does not stop in the cooperation of individuals, but actually extends to countries. In the same way that the division of output between individuals would be better for the economy of one country, so would the division of output between countries be better for the world as a whole. The latter point is a component of Smith's theory of absolute advantage, which states that the world would be better off if the countries that are best in producing something became the ones exporting that particular good to others, including to those that despite being decent in production, cannot match the efficiency of the best exporter. For example, country A and country B can both produce good shirts; however, if country A manages to produce these shirts more efficiently than country B, the world (including country B itself) would benefit more if country A became the one exporting this product across the globe. Country A would benefit as a seller, and other

countries including B would benefit from A’s efficiency, which translates itself into lower production and acquisition cost.

After being exposed to Smith’s theory, David Ricardo came up with the theory of comparative advantage, which states that there are gains to be made if an entity (including individuals and countries) decides to specialize in what it is comparatively good at and trade with others. To illustrate this concept, Fletcher (2010) brings up a question: “Why don’t pro football players mow their own lawn?” Before answering this question, Fletcher points to us that it would be completely logical for the footballer to perform this job by himself because he is very likely to be stronger and much more agile than the average lawn mowing professional – the footballer “has absolute advantage at mowing lawns.” However, since the footballer is a football specialist - an activity of higher economic value - he hires someone else to work on his lawn.

Another way to describe comparative advantage is in terms of the shirts example that was used previously. It can be said that if country A is more efficient at producing shirts in the same way that country B is more efficient at producing cell phones, then country A should worry about focusing its production efforts in shirts and leave the cell phones to country B. The following table illustrates this:

	Country A	Country B	World
Shirts	100	82	182
Cell phones	87	99	186

Item output in units per hour

Based on this table, comparative advantage suggests that country B should also forget about the production of shirts. Since the theory tries to address the good of the global system, it

states that even if country A is more efficient at producing both products at once (it can generate a sum of 187 shirts and cell phones in an hour in comparison to B's total of 181), it should worry more about shirts and let country B sacrifice its shirt production and focus more on cell phones. Here, country A and country B are doing the same thing as the professional footballer who chooses to leave his superior strength and agility aside to let a hired worker do the mowing for him.

Absolute advantage tells us that country A should produce both shirts and cell phones; however, comparative advantage tells us that country A should leave the production of cell phones in order to become even more efficient in the production of shirts. The production of cell phones, according to the theory, can be left to country B, which, in turn would leave the production of shirts to country A. This way, the world will benefit from the additional output of each item.

From comparative advantage, Eli Heckscher and Bertil Ohlin developed a theory stating that a country will specialize in the output of factors that it has an intensive availability in. This is referring to a country's inclination towards the specialization in products that are either labor or capital intensive. If country A has intensive labor at its disposal, it will tend to produce the likes of textiles and shoes. If country B has intensive capital available for itself, it will specialize in the production of electronics, automobiles, software, etc. From this theory comes the idea that the prices of the intensive factors in which these countries specialize will eventually decrease, again for the good of the global economy.

The Stolper-Samuelson theory later stated that the dominant factor (whether labor or capital) which was used to produce a good will benefit more if the price of the product goes up. This means that if labor was used more than capital in the production of shirts, then the labor

sector will benefit more from a rise in shirt prices. Likewise, when it comes to software production, the capital-intensive sector would benefit more from a rise in prices than the labor-intensive sector would. The benefit of a sector usually comes with rising wages. This suggests that there might be some social conflict between labor-intensive and capital-intensive workers whenever prices are raised. Workers from capital-intensive industries would not feel happy with the rise in shirt prices, and workers from labor-intensive industries would not feel served if software prices go up.

To eliminate the possibility of this conflict occurring, Samuelson went a step further and came up with the Samuelson Factor Price Equalization theory, which states that if countries open their borders to allow capital and labor to flow freely between them, this price difference would eventually disappear.

From the theories above we have the basis for Stiglitz's definition of globalization, and a rationale for why it is good. On the one hand, the theories of comparative advantage and Heckscher-Ohlin suggest that countries would eventually specialize in particular products, which means that some would produce what others would not. As a result, countries would have to depend on each other through trade in order for them to have access to all the products that can be made. This refers to the component of "integration of countries" that is used in Stiglitz's definition of globalization. We see that people also integrate in this process through immigration, especially that of skilled workers.

On the other hand, the Stolper-Samuelson theory, along with Samuelson's Factor Price Equalization, suggest that these same countries would eventually need to open up their borders to others. This relates to the cost reduction component from Stiglitz's definition – moving shirts and cell phones from country to country requires these products to go through different laws,

tariffs, and barriers that can drive prices up. Many can argue that the concept of globalization discussed in this thesis has so far been successful in overcoming these obstacles, thus lowering the financial costs related to the idea of countries depending on each other. Nevertheless, the social costs of this are proving to be increasingly high. The idea of a globalized world promises a lot on paper, but its real-world implications are not bringing the results that were expected by the theories here explained.

Why is there a disparity between ‘paper globalization’ and its real world form? This paper argues that it is because globalization is based on theories with assumptions that have *nothing to do with the real world*.

In terms of country A and country B, the theory of comparative advantage, which is the blueprint of globalization’s blueprints (i.e. the driver of the other theories here discussed), is based on the following assumptions:

1. **There is full employment in both countries** – meaning that when a country moves from industry A to industry B (the one of its comparative advantage), its workers would never face a period of unemployment. This is not what the reality of the American Rust Belt is telling us. People are always faced with the risk of unemployment as industries shut down.
2. **Individuals have perfect knowledge of the markets** – which would make it easier for them to decide whether to look at other countries for products that cost less and are of better quality, but this never happens. No one ever knows *everything* about something, much less about entire markets.
3. **Both countries produce both goods** – this assumption helps create a comparison between the countries being analyzed, but in reality, this does not always happen, especially when it comes to products that require high skilled labor. In other words, *every* country B can

produce shirts as country A does; however, not every country A has the same ability to produce cell phones as country B.

4. **There are constant returns to scale** – another way to say this is that if input goes up threefold, output will also go up threefold, meaning that unit cost stays the same as production levels go up. This does not happen in the real world. Unit costs tend to decrease as production levels increase up to a certain point, and this means that higher profitability is reached as more is produced. Country A can take advantage of this fact by agreeing to sell more of its shirts to countries C, D, and E in order to make more money.
5. **There are no technological changes** – which means that the efficiency that country A has in phone production will never overtake that of country B, and that country B's efficiency at producing shirts will never be the same as that of country A. However, we know that technology is changing virtually all the time. A country that does not know how to produce cars today can become the most efficient producer of these if given the right opportunity, time, and technology.

Implementation of Globalization

Globalization is not a tree that grew from night to day. It is a product of nearly three centuries of traceable works, but the system that we have today is more formal than the ordinary eye can discern.

World War I and II were mostly caused by harmful policies that countries adopted when engaging in international trade. In the leading years to World War I, Germany was rising as a power that threatened the economic dominance of Great Britain and France. Each of these countries felt the need to somehow protect themselves. World War II, on the other hand, was

greatly influenced by the Great Depression, which countries contributed to by adopting protectionist practices.

After agreeing on the role that protectionism played in these two wars, 44 nations decided to organize the United Nations Monetary and Financial Conference in 1944, a series of meetings that would allow world powers to come up with what is popularly known as the Bretton Woods System in reference to the town from New Hampshire, where the meetings took place. Prior to this, international trade did not consist of formal agreements that sought the good for the world. Competition was the rule, and an economist from the Federal Reserve Bank of Atlanta once emphasized this by recognizing the conference as “an unprecedented cooperative effort for nations that had been setting up barriers between their economies for more than a decade.” (Ghizoni, 2013)

The Bretton Woods System had two main purposes:

- **To promote global economic growth**, thus ensuring that international trade would be done for the honest benefit of all
- **To promote world peace** that would hopefully come from the sense of interdependence between the countries that specialized in different products

The first objective would always be hard to achieve. It is simply unrealistic to dream of a world where everyone has the same opportunities as others – there are always groups that have a head start in life when it comes to pursuing different goals. In the same way, there were countries in 1944 that were already ahead of others because even in the midst of the destruction caused by war, they still held the intellectual capital – engineers, doctors, economists, etc. – that would propel them to adapt themselves and develop faster than other nations. Additionally, the current

levels of inequality between developing and advanced economies are enough to prove that it will take a long time for the remnants of Bretton Woods to fulfill the system's first mandate. In an ironic note - as discussed in the next chapter, the inequality gap between developed and developing countries is getting wider instead.

Concerning the second mandate, it is important to highlight that Bretton Woods was unsuccessful in ensuring that global interdependence brought peace. Countries are still trading with each other, but only for the sake of addressing the immediate interest that the transactions can provide (i.e. A gets shirts from B, and B gets paid by A) – no one is trading with the objective of contributing to world peace. Instead of fostering the development of a single group of countries working together to push for this to happen, like-minded nations are joining each other in defense treaties. These treaties can have similar effects that the Allies and the Axis powers brought to the world.

Nonetheless, the Bretton Woods system believed it could achieve these two objectives through four different pillars. These were: fixing world currencies to the US Dollar (which was itself operating on a gold standard), the International Monetary Fund, the World Bank, and the World Trade Organization (formerly named the General Agreement for Tariff and Trade, GATT). In 1971, however, the gold standard became unsustainable for the world to cling on to, so the first pillar listed above got discarded. Because of this, the Bretton Woods System lost its originality, so much so that some find it simpler to admit that the system actually ended in 1971. Despite this, the IMF, World Bank and the World Trade Organization still remain powerful enough to dictate the course of international economics.

Each of the system's pillars would have its role in executing the two mandates and were all supposed to act as weapons of peace:

Fixing world currencies to the US Dollar

With the US Dollar as the international reserve currency, there would be no room for nations to devalue their currencies in order to engage in protectionist practices. Without an official international reserve currency, major world powers used their ability to manipulate foreign exchange rates and fiercely competed against each other when it came to trade. This competition became unhealthy, and beyond causing wars, it can be seen as one of the factors that worsened the Great Depression. (Ghizoni, 2013)

The International Monetary Fund (IMF)

The organization would help achieve world peace by promoting financial stability. Whenever countries face balance of payment crises, the IMF would step in with short-term loans that these countries acquire by submitting themselves to conditional ties (i.e. conditionalities). These ties are based on how the IMF thinks that these countries should act in order to come out of their crises and reach a stable point. This sense of stability, in its turn, would bring peace, as told by the organization's former chairman Dominique Strauss-Kahn (2009); however the pursuit of stability would not be without problems. This is because the IMF acts as a lender of last resort, which means that countries look for the organization once they find themselves in desperate situations. By doing this, the conditionalities that they would have to accept as part of the borrowing process can be oppressive to their populations. For example, when Greece acquired a loan of this kind, it had to submit itself to austerity measures that. The public responded with multiple riots.

The World Bank

This institution would act by helping countries in poverty as well as those in need of reconstruction after enduring war damage. War reconstruction programs would be used to avoid

the mistake that the Allies committed in the Treaty of Versailles when they forced Germany to pay for reparations after WWI. By assisting in reconstruction efforts, the World Bank would give no reason for leaders to rise with one of the major appeals that were used by Adolf Hitler – the Treaty of Versailles as a failure and tool of dominance that the Allies used over the German people.

Unlike the IMF, the World Bank would be a long-term partner to these countries. Despite not worrying so much about balance of payment crises, it would still impose conditions that those countries need to submit to. These conditions, however, can be numerous, as once written in a Eurodad report:

“14 out of the 20 low income countries it assessed have more than fifty conditions attached to each of their current World Bank grants. And 3 out of the 20 have more than 100 conditions (...) not only are there too many conditions, but the number of conditions that the Bank is imposing on low income countries is rising not falling.”

Stiglitz (2003), who once headed this organization, saw that it would be hard for the Bank to run efficiently. According to him, the IMF managed to gain ownership of it, and he saw this firsthand. (13)

The World Trade Organization (WTO)

The WTO would help promote peace by acting as a regulator to international trade, thus avoiding destructive trade tensions that history proves as capable of escalating into major armed conflicts. The one country, one vote system prevents countries from pursuing their own power agenda in the organization. The World Trade Organization’s role as a regulator requires it to police agreements such as NAFTA, APEC, and COMESA. Nevertheless, this mission can often

come at the expense of the sovereignty that individual countries need when trying to protect themselves from businesses that can be predatory to citizens.

These four pillars did not accomplish their peace mission because a number of international conflicts – both armed and unarmed – took place after World War II. On top of this, the effectiveness of these pillars is being questioned. For example, the dollar's move off the gold standard in 1971 means that countries can engage in aggressive trade practices once again, and the IMF is struggling to keep up with the rising imbalance of payments that countries face and to keep their programs limited to short-term actions.

Concerning the World Bank, there are lengthy programs with virtually intangible results to the international community, and they add doubts as to how useful the World Bank really is. Furthermore, going back to what Stiglitz said about the organization being under the rule of the IMF, it is clear that for the Bank to reach its potential again, the IMF would have to dwindle on its own. Finally, when the sovereignty of countries is constantly sacrificed for what the WTO's Dispute Settlement Body sees as free trade, it would be only a matter of time before these countries find enough excuse to jointly sign out of the system and again trade with little regard to world peace.

This chapter has explained what the underlying roots of the globalization tree are. It says that the Bretton Woods System was based on a set of theories that rely on assumptions that hardly – if they ever – apply to the world we live in. As a result, even if the system operated as it was hoped to, it would still be impossible for it to fulfill its purpose of maintaining global peace through its two mandates - again, the system was based on theories from another world.

Chapter III describes the effects that the system brought by addressing the visible parts of the globalization tree.

Chapter III: The Effects of Globalization

Having discussed both the theoretical and practical origins of globalization, the paper will now explain how this phenomenon affected the globe. As mentioned in the introductory chapter, globalization is a tree that reached gigantic proportions. Its scope of influence is very wide, and in order to understand how so, this chapter will look at the economic effects that the system brought about. A discussion will then ensue about who won and lost as a result of globalization, and an explanation of how the system's theories link directly to the real world will prove why the current wave of right-wing populism should not be a surprise.

Economic Effects

The economic similarities that are shared between different countries allowed the United Nations (2014) to determine that world economies can be divided into three main categories. These categories are developed economies, economies in transition, and developing economies. Using these classifications helps simplify the study of how globalization affected international economics. Despite mentioning all three categories, this paper will focus mostly on developed economies, especially the United States.

Developed Economies

This category is mostly composed of countries from the European Union including France, the United Kingdom, and Belgium. The United States can also be found here with the likes of Japan and Australia. These economies dominated the Bretton Woods meetings, and it is without doubt that if there is a group of countries that benefitted from globalization, this would be it. For instance, Elmawazini and Nwankwo (2013) agree that globalization widened the inequality gap between sub-Saharan Africa and developed economies. The authors admit that their statement is in stark contrast to what the IMF and the World Bank conclude when the

institutions state that globalization leads to growth and lower inequality levels. Nevertheless, Elmawazini and Nkwanko are not alone because they state that there are series of scholars who also disagree with what these two institutions claim.

We can say that globalization is benefitting developed nations as a whole, but this conclusion would be too superficial. The inequality levels within developed economies is also growing, and Max, along with Cuaresma (2016) name international trade and foreign direct investments as two of the main reasons behind this reality. According to the authors, international trade - which multiplied by 45 times between 1945 and 2008 – affects wage distribution between export and non-export sectors.

Does the future look better in regards to inequality? Not at all. On top of there being people holding far more wealth than others, there is the reality that those at the higher end of the economy are earning more at faster rates than those at the lower end. Monica R. Szeles (2008) takes things a step further and points that the middle class in developed nations is facing an extinction, and she credits globalization for this.

Economies in Transition

Economies in transition are those that used to be under the rule of the Soviet Union until its fall in 1991. The term ‘transition’ is derived from the fact that these economies went from being centrally planned under the communist regime to adopting forms of the rather liberalized market economy. Countries in this category include the likes of Albania, Montenegro, and Ukraine. Under communist rule, these nations never had the chance to implement Bretton Woods policies – despite there being a USSR delegation that was actively engaged in pre-conference meetings, Joseph Stalin never ratified Bretton Woods policies for a series of unclear reasons. (Klyausova, 2016)

When the Soviet Union fell, however, these nations found themselves in economic turmoil, and the only viable solution for them was to cooperate with the IMF and the World Bank. They would join a system that their status as satellite states had previously prevented them from doing so, and this means that there was no one to voice their genuine interests.

When they decided to open their economies to the rest of the world, they lacked the capital that would allow people within these countries to own private businesses. Bitzenis and Marangos (2007) argue that the only solution to this problem was opening up to foreign direct investments, which means that most businesses in transition economies would tend to be owned by foreign entities. With this being the case, former soviet countries fell into the mercy of market speculation and investor sentiment. Because of globalization, these countries are also subject to high levels of economic inequality, and these levels are poised to increase over the years (Mitra, Yemtsov, 2006).

Developing Economies

Like the economies in transition, developing economies also had virtually no say about the introduction of the current system of globalization. Many of them are African countries, which, during the Bretton Woods Conference, were limited to serving Western interest mostly through colonial rule. Other countries in this category include China, India, and Brazil.

To highlight how little say these countries had, it would be important to state that Mexico, one of the developing economies, had a superficial role in the design of Bretton Woods. During the conference meetings, three groups were set up to address the different pillars of the new system. The United States headed the group that designed the IMF, the United Kingdom presided the group in charge of designing the World Bank, and Mexico headed the official group that was created to generate different recommendations on areas that did not even make it to the

main agenda of the other two commissions. Playing an apparently crucial role, this group made an important recommendation regarding the liquidation of a financial body that had been involved with the Nazis. The recommendation was briefly pursued, but ultimately ignored. (Klyausova, 2016)

In economic terms, developing countries *are still* developing. Coming out of this category is proving to be difficult for them, as their prosperity is also dependent on fluctuations in foreign direct investments and the financial assistance that the IMF is willing to give along with the World Bank (which again, cannot assist anyone without the permission of the IMF).

The United States

As a developed economy, it would be expected for the United States to benefit tremendously from the Bretton Woods Agreement since it received enormous advantage by leading the conference.

Prior to the United States, it was the United Kingdom that dominated the global scene; however, World War II devastated Europe in many ways, and the British saw themselves forced to yield some of their power to the Americans. Benn Steil (2013) highlights this fact in *Battle for Bretton Woods*, a book where he discusses how the new system for globalization got implemented under the leadership of Harry Dexter White and John Maynard Keynes, two protagonists that often clashed against each other as they tried to protect the global status of the United States and the United Kingdom, respectively.

Steil states that the meetings began with mind games as the United States delegation read a statement that reminded the world of how the United Kingdom had previously been forced to yield its power to the US through the Marshall Plan after World War I. To further highlight

British frustration and American dominance, the author ends the second chapter of his book with the following words:

“The British had been anxious to see themselves as partners with the Americans in creating the ground rules for the postwar order, yet at every step to Bretton Woods the Americans had reminded them, in as brutal a manner as necessary, that there was no room in the new order for the remnants of British imperial glory.” (Steil, 20)

In other words, the United States is *the* global power that found itself in the most favorable position to gain from the new system of globalization; it is not by chance that the headquarters for the IMF and the World Bank are both located in Washington, D.C. The United States also holds the highest percentage of voting powers in both institutions, and as of March 2018, those who come second to them hold less than half that percentage. Since the voting power goes according to how much money each country contributes to these organizations, it is only now with the rise of China that the US faces losing some of that position.

As previously mentioned, the Bretton Woods Conference helped increase the inequality gap between developed and developing economies. The United States is today the world’s wealthiest economy, holding more than 25% of the world’s nominal GDP, yet the country’s GINI coefficient is one of the world’s highest both in terms of wealth and income. This inequality gap is growing, and the hope of this changing is virtually nonexistent because wage growth rate has been stagnant for decades.

The example of the United States shows that globalization has only benefitted a few people within developed economies, and the prospect of other people being added to the list of beneficiaries is not high. In plain language, the current system of globalization increased inequality between and within all nations, whether developed, developing, or in transition. Only

a chosen few have been able to truly benefit from this badly rooted tree that was supposed to be designed for the welfare of the entire world.

A game of two sides

In order to understand how the theoretical shortcomings – or faulty roots – of globalization influenced right-wing populism, it would be crucial to identify who were the winners and losers of the Bretton Woods system.

Stiglitz denies the view that the world's current form of globalization is a perfect system. Nevertheless, he also reminds his readers that this faulty globalization is the same system that brought a number of benefits to the world as well. These include better health care to poor locations, instant share of information, and improved education – thus proving that it would be wrong to readily dismiss globalization as a complete curse on humanity. What is important in his message is that it conveys an undeniable truth: that globalization is a game which comes with its set of winners and losers, and the number of losers is starting to outweigh that of winners. Hence, when part of the losers decide to rise up, the world is left with the explosion that it is currently facing.

In hindsight, this should have been the expected outcome of the Bretton Woods Conference – it was a series of meetings that consisted of domination rather than democratic participation. The United States was in command. Europe had been devastated by the war, and was only looking for something that would help its intellectual capital work towards the continent's recovery. Most of Africa had no say, and the Soviet Union gradually stepped back from the meetings.

Consequently, instead of helping the world, the implementation of the Bretton Woods System became based on what could benefit the most powerful nations that took part in it. The

interesting aspect about this, however, is that powerful nations are not run by their entire populations. Instead, only a few entities have the privilege to control things – these are the winners of globalization – the world's multinational corporations along with their investors, and the few politicians who make key decisions about who gets what, when, and how. The losers, on the other hand, are the governmental states (as ruling entities of their respective nations), low-skilled workers, and minority groups. The following is how globalization affected these:

Winners

When a system based on the theory of comparative advantage is applied on Countries A and B, we see that despite governments holding the power to influence a certain type of production, the producers of those goods – in this case **businesses, especially multinational corporations** – will also try to find ways to work more efficiently. As more countries are added to the trade system (i.e. country C, D, E, etc.), businesses can choose where to move operations, or even part of these operations. This is why Apple designs its phones in the capital-intensive United States, have their parts manufactured in different labor-intensive economies across Asia, and finally assemble them in China.

On the other hand, had Apple chosen to do all of these things in the United States, the company would have had to spend significantly more. In terms of labor costs alone, the US federal minimum wage is \$7.25. In China, however, the company can pay an hourly rate of 9.5 Yuan if it chooses to operate in the Huludao province. This is equivalent to nearly \$1.50, and when corporations have the flexibility to go around the world and incur such low costs with the potential of making high profits, we can understand why businesses are becoming “richer and more powerful than ever,” with some of them being wealthier than over one hundred nations,

including “notable powers such as Argentina, South Africa, and the United Arab Emirates.”
(Savitz, 2013)

Moreover, Stiglitz points that the IMF's obsession with market liberalization means that these companies are allowed to compete in precarious markets from poorer countries. These markets are made up of delicate businesses, which end up losing their competitive edge because the multinationals can afford to sell their products at lower prices. Globalization allowed companies to spend less while entering new markets, where they can easily displace businesses that were already vulnerable. In a world that does not favor social responsibility relative to profits, the financial gains that result from this do not seem to bother **investors**. **Big financial institutions** such as investment banks do not mind either. They can also win from this game.

Huludao's minimum wage could be enforced by the Chinese government. As a matter of fact, several legal issues could be addressed in other countries as well; however, **corrupt politicians and government officials** prevent this from happening as it should, simply because the bribes they receive help them win from the shortcomings of globalization. According to the Organization for Economic Co-operation and Development (2014), over 420 court cases of transnational corruption were concluded in the period between 1999 – when the organization began implementing its Anti-Bribery Convention – and 2013. As the organization states, 80% of the transactions in the cases were paid to rogue officials. Additionally, "the total amount of bribes paid in the 224 cases where this information is available is USD 3.1 billion. Given the very complex and concealed nature of corrupt transactions, it is without doubt the *mere tip of the iceberg* [emphasis added]." (OECD, 2014)

Businesses played their part in this issue. Top management (including CEOs) featured directly in over 50% of the payments. The study covers a limited number of cases that actually occur on a daily basis. Despite revealing that 60% of the companies involved were of a large size, it still admits that it does not know about the size of 36% of them, and this implies that even more large multinationals could be hiding under cover. In simple terms, corrupt government officials are interacting with powerful companies on a scale that could be more unimaginable.

Losers

The entities that lost the most in the current globalization system are potentially **governmental states**. The hits that they keep receiving, along with the magnitude of each hit, reveal that globalization is threatening their sovereignty.

With the advent of the IMF and the World Bank, the Bretton Woods System placed conditions and policy guidelines that decide whether or not countries are to be helped in the midst of economic woes. Conditionalities impose economic reforms that countries need to enact whenever they submit requests for assistance. On top of these impositions, the IMF also issues economic recommendations that each country needs to follow in order to achieve what the Fund determines to be a more stable economic performance.

Conditionalities and economic recommendations have to be strictly followed, especially by the countries that are in constant threat of needing assistance. Stiglitz mentions that powerful economies including the United States can afford to ignore these guidelines, but countries such as Kenya do not have the same privilege. They fall on the mercy of "unacceptably high and rising number of conditions in order to gain access to the help they need" (Eurodad, 2006), and the pressing issue is that these conditions are also set without much say of the country that is to adopt them.

Another issue is that adhering to IMF and World Bank conditions can be detrimental to these economies because these conditions usually include the need to open local markets to foreign competition while remaining strictly reliant on the country's resources that give them what the IMF considers comparative advantage over others, even if these resources fail to work. Not abiding to the conditionalities means that other countries, creditors, and donors – whose ability to work with the economies in need can also depend on IMF authorization – will likely stop cooperating with them. When governments call for foreign aid, they sell their sovereignty to the IMF and the World Bank.

Corporations also challenge government sovereignty. We see this when they feel powerful enough to oppose governments on certain actions and decide who to support during political campaigns. Multinationals are also able to strip countries of their sovereignty through the World Trade Organization's Dispute Settlement Body. Whenever these businesses feel threatened by a hint of expropriation, they can run to the WTO's assistance, and the Body holds enough power to tell these countries to step back. Tobacco giant Phillip Morris proved this when the Australian government tried to enact a law requiring cigarette companies to omit their logos from packages and instead display health warnings related to smoking. The Dispute Settlement ruled in favor of the Australia, but knowing that the company tried to prevent the government from acting to the best of public interest reinforces our point – globalization is tying the hands of governments.

Finally, governments are also the ones that have to deal directly with the shortcomings that globalization brings to each country. When foreign investment is repatriated by investors, governments are the ones who have to run to the IMF and the World Bank. When things go wrong during the term of one government, another one is elected; when corporations fail to act

as they should, people expect the government to enact sanctions, and when corrupt officials come into the scene, governments are left without the money they need to stop selling their sovereignty to Bretton Woods.

Low-skilled workers are on the losing end of the corporate pursuit of lower costs. In Huludao's example, local workers would be the ones earning almost nothing while benefiting their employers. We can talk about some of these workers being placed in sweatshops that are still coming to the attention of the public eye, and we see that low-skilled workers are also the easiest to replace, especially in wealthier economies.

Minority groups, including foreigners, can be seen as both winners and losers. Less radical politicians and globalization advocates can highlight foreigners as winners because some of the foreigners are living testimonies of how globalization allows people to move between borders and succeed in new locations. When things go bad, however, voices of hatred can turn minorities and foreigners into scapegoats responsible for consuming the scarce resources that nationals should have the privilege to access.

How globalization theories are linked to right-wing populism

This paper identifies globalization as a tree with two parts, one that is visible and one that cannot be seen. The visible part of this tree consists of a number of things, including the facilitation of international trade, rising economic inequality, and more importantly for this paper, the current wave of right-wing populism. The invisible part consists of the unregistered details that went behind the Bretton Woods meetings, different interests that today's global powers have, as well as the theories that shaped the design of the world's globalized international trade system. The different manifestations of the right-wing populist trend have their own roots

in the underlying part of this tree. Digging downward from different instances of right-wing populism towards the faulty theories reveal why.

Donald Trump's victory in the 2016 US presidential elections came thanks to the slogan "Make America Great Again." He used the word *America*, but his focal point is actually the people that have been hit with economic fears and anger over the fact that the previous government philosophy failed to respond to their needs. Trump's promises during the elections included the revitalization of the country's coal and steel industry, when many of his voters were individuals who have a nostalgic attitude towards the American Rust Belt, a strip of US territory that because of globalization went from being a heavily industrial area to an economically abandoned set of cities forgotten in history.

Trump's promise resounded well with angry voters, but how can the Rust Belt, which is a leading cause of right-wing populism the US, be traced to the theoretical flaws of globalization? Through the theory of comparative advantage, which determines that despite being better than most countries in both steel production and computer manufacturing, the United States should leave the labor-intensive sector for another country in order to focus more on the lucrative capital-intensive industry and trade. Indeed, free trade agreements such as NAFTA moved the US labor-intensive production out of the country, and the United States could focus not only on computers, but also on cell phones, airplanes, and information technology.

Theoretically, there would be gains from this both to the US and the entire globe. However, this is not the case because the theory of comparative advantage does not apply to the real world. Hence, the former Rust Belt workers were abandoned by the globalization game, and they, along with friends, families, and other people feel revolted.

Likewise, the **Brexit campaign** can be traced to a series of angry fishermen who felt that they were stripped off their earnings when the United Kingdom joined the European Union in the 1970s. Joining the single market meant that the British fishers became subject to new, more strict fishing quotas that cost many jobs and small businesses. Towns that once thrived became deserted, and a disappointment ruled the lives of former fishermen.

Britain's post 1970s fishing industry was regulated by the Common Fisheries Policy, which was a result of the European Union. As a common market, the European Union fosters free trade among its members. Free trade is an implementation of Paul Samuelson's Factor Price Equalization theory, which suggests that a country should open up its borders and destroy trade barriers in order to prevent its capital-intensive workers from alienating individuals from the labor-intensive sector or vice versa, depending on which prospers the most (since the dominant sector would go through price and wage increase at faster rates than the other). As part of the continental agreement, the European Union's member states are limited to acting within the parameters of what the Parliament deems legal, regardless of the varying needs of their populations. On top of the people who had something to do with the falling fishing industry, Britain would have to deal with popular resentment towards the loss of government sovereignty.

The **rise of the AfD Party (Alternative for Germany)** is another visible part of the globalization tree. There is no question about the party being both right-wing and populist. Its manifesto reveals enough: "we share a firm conviction that citizens have the right to true political alternatives, not only those presented by the political class." (AfD, 2016) Here the party shows that its focus is on what it believes to be the wellbeing of the people (rather than the country), and the party selects an elite to attack – mainstream politicians.

The party's popularity is linked to German concern about the influx of Syrian refugees into the country. Many people worry about the idea of these immigrants taking the jobs of the natives, and others worry that the German government is too focused on becoming a European leader when local needs are being ignored. A significant number of them, however, have fears about globalization in general and admit that they leave their values aside when it comes voting. "The lower the level of education, the lower the income and the older the person is, the more likely they are to feel threatened by globalization." (Bertelsmann Foundation, 2016)

The people identified by the source pertain to the low skill, low wage group of workers that would rarely benefit from globalization. As the Heckscher-Ohlin theory suggests, Germany would have to specialize in what it had comparative advantage over others – machinery, engineering, cars, etc. The Stolper-Samuelson theory shows that Germany's specialization in capital-intensive labor is not a surprise; however, the country failed to address the needs of its low skilled workers. Resulting from this is the AfD's rally for enmity between the general population (or rather, low skilled workers) and mainstream politicians (who reflect the values of the high-skilled workers), and this tension between the two sides is what the Samuelson's price factor equalization aimed to avoid through the opening of borders. However, this failed abysmally because Germany is a well globalized country, and the theory of globalization has assumptions that do not reflect reality.

When we combine the disappointed people from the American Rust Belt with the disgruntled fishers from Britain and fearful individuals from Germany, we see the explosion of right-wing populism. The bigger problem with this wave is that it is based on emotions that bring a number of evils with them, including widespread racism, marginalization of certain groups, riots, and disrespect towards social entities, including governmental states. Moreover, these are

not the only countries going through this experience. France, Italy, and a number of developing economies are also revolted with the structure that Bretton Woods left the world with.

Not many right-wing populists are governing world countries at the moment; however, if this changes in the future, the prospect of international cooperation would go back by many steps because each country would limit its agenda to itself. This is what led to World War I and World War II. Whatever the wave leads to, it will not be good – especially if the world’s globalization system remains unchanged.

Chapter IV: Proposed Solutions

We have determined that the Bretton Woods System is flawed and damaging to the world it was designed to improve. The only solution to this problem is an overhaul of the system. This however, must be done with a few considerations in mind:

Recognize the new socio-political landscape

This is a matter of relevancy. Before anything, world countries need to recognize that the current Bretton Woods system is not working. They must also recognize that more countries gained political power in the global landscape, and that their cooperation – rather than isolation – is vital in making successful changes. The new system can no longer serve the sole interest of the United States and other developed economies. These nations had a greater say in 1945 because all other countries happened to be devastated by World War II. However, this is not the case anymore. As a result, the uneven voting quotas for the IMF and the World Bank will have to be redesigned, at least if the world is to embrace these organizations as pursuing an agenda that is truly global.

The idea of being as inclusive as possible looks inefficient on paper, since having many parties trying to form a new agreement implies that common interests will hardly be found; however, the cooperation that made the COP21 conference a success shows that this idea can work. These talks must also take place as urgently as possible because the future does not promise to be peaceful as the right-wing populist trend carries on.

On top of recognizing the rising power of other nations, the governments involved should also recognize that general society has also gotten more powerful. This is not only true for the multinational organizations mentioned in the previous chapter, but also for the average civilian. Savitz (2013) states that after World War II people were not so responsive to western

governments because they were just happy for coming out alive from the war. However, according to Savitz, with recovery came more confidence, and now:

“With the spreading worldwide acceptance of free enterprise and democracy as the way of the future, people everywhere are taking it for granted that they deserve more say about their own futures.”

Overthrow the Idea of Comparative Advantage

As mentioned above, Bretton Woods was destined to fail from the start. This is partly because the system is based on assumptions that do not apply to the real world. Chapter I says that this theory would only work under certain conditions, including the existence of full employment, individuals having perfect knowledge of the markets, and a stagnant technology. Reality, however, tells us that full employment is virtually impossible to reach. Reality also says that no one has perfect knowledge of the markets. Finally, we know that technology is always evolving. In order to make reality fit comparative advantage’s assumptions, the following would be necessary:

- **Governments bring about full employment**, which can be done by forcing companies to generate jobs, if possible beyond the levels that these companies need in order to operate efficiently. This is called communism.
- **Every human being on the planet is constantly informed** about the most intricate details of the markets in order to have perfect knowledge. Since the state of markets is always changing, this information process would invade virtually every area of people's lives in order to provide updates in real-time.

- **Anti-creativity forces and agents** are employed in order to monitor every possible entity that is trying to bring about technological changes. This would make sure that technology stays the same.

The world has two options. One is to strive for the materialization of these three points. If they sound crazy enough, it is worth pointing that these assumptions are only some of a number of surrealistic ones that also include constant returns to scale and having all the involved countries produce the same goods. Regardless of the methods that would be used, trying to bring the concept of comparative advantage to life would be harmful and irrational. Another option, however, is to discard it completely and come up with a new set of ideas that shape the next meaning of globalization.

Establish a system of institutional accountability

One key flaw in Bretton Woods institutions is that they do not formally have anyone to hold them accountable for their actions. Democratic governments have to respond to their voters, businesses have the need to respond to their stakeholders, and nonprofit organizations are held accountable by their donors. This is not the case with Bretton Woods institutions such as the IMF and the World Bank. In theory, the positive advantage that this brings this is that without having a particular party to hold them accountable for their actions, these institutions would serve the interest of the entire world without having to compromise to anyone; however, what results from this is that the institutions became highly inefficient, and no one pushes them to correct themselves. This has proven to be a problem.

First, the lack of sound theoretical roots that we mentioned earlier means that mistakes related to economic policy are constantly made by these institutions. Since they lack in accountability, they are free to continue to operate on the theories and practices that are

responsible for tearing economies apart. The likes of Ethiopia, Kenya, and South American economies can confirm this fact (Stiglitz), and when conditionalities are involved in times of crises, poorer countries are forced to cooperate with powerful, inefficient institutions.

Since the IMF and World Bank conditionalities are based on market liberalization, they force countries to open up their markets to foreign organizations. This allows companies from developed economies to choose where to move their operations as they try to minimize costs. The people who lose their jobs in the developed nations as a result of this develop their resentment, until a populist leader rises up to meet their perceived needs. Preventing the IMF and the World Bank from exercising as much power without being held accountable is likely to reduce this scenario.

This new system must be based *less on deductions, and more on inductions*. This implies that research must be carried out to find how the world really works, as well as how countries really act in different situations - a feature not hard to achieve given that the current world is far more data-driven than it was in 1944. Instead of clinging to abstract examples such as "suppose that country A behaves such and such," the new system should be based on real, concrete data. The world has made advances that help us focus on relevant, real-life information, and this is what should be used to say things such as "if method X helped only a few countries at the expense of many others, then it should be completely discarded in favor of method Y, which, in turn, has worked on a sample of countries, and promises to deliver more according to a number of models that haven't a proven track of accuracy."

We can forgive the architects of the Bretton Woods system for their failures because they did not have access to a lot of information. Moreover, many countries were still being formed; however, we cannot forgive the architects of the new system if they rely heavily on assumptions.

Foresee that there will be limitations

Finally, the new system has to understand that the world needs to pay attention to countries that are economically struggling; however, the help that the World Bank and the IMF have been trying to give come with a lot of restrictions that question the sovereignty of many governments. Therefore, the next system has to respect its limits, and the countries' rights to refuse some conditions. For example, those willing to help the countries can create a panel of creditors that meets whenever new loans are about to be issued. During this meeting, creditors make individual offers with specific conditions each, and the country receiving the loan can choose whether to take those loans, negotiate the conditions, or even say no to them. This would help the creditors transmit the message that they want the borrowing countries to receive those loans while also keeping borrowers sovereign and without any reason to complain about this panel trying to be as invasive as the IMF and World Bank.

The above solutions will require a lot of political will, especially from those that were not considered in the original system (Russia and poorer economies), and those that have been benefitting from its shortcomings (e.g. the US and the UK).

Chapter V: Conclusion

This paper has argued that there is a current wave of right-wing populism that the world is falling for. Denying this would be unreasonable because a significant number of countries suddenly began displaying this trend not so long apart from each other. Additionally, the paper asserts that this wave can be linked to the theoretical shortcomings of the world's current system of globalization, which was designed in the Bretton Woods Conference. These theoretical shortcomings can be found in theories such as comparative advantage, Stolper-Samuelson, Samuelson factor price equalization, etc.

The relationship above is similar to that of visible tree parts and their roots – whatever is bad below the ground is reflected above it. Globalization is the tree, right-wing populism is one of the tree's visible parts, and the theories that shaped globalization are the roots of this tree. These roots are sick, and they gifted the world with a sick system as a result – it turned global economics into a game of two sides in which winners such as multinational corporations will always win and losers such as low-skilled workers will always lose.

This does not mean that there is nothing positive about globalization, but the problem exposed by the paper is that the system's benefits are outweighed by its negative results. For instance, globalization benefitted the world by bringing things such as affordable healthcare into poorer locations; however, this fact has no meaning when the inequality gap between these regions and wealthier economies grows wider and wider.

Globalization should not be based on the Bretton Woods System. Its design is flawed, and the conference through which the system was established did not weigh the voice of many nations. This automatically means that only the interests of a few became served by the system, and a few things are currently resulting from this – governments are losing their sovereignty,

multinationals are growing ever more powerful, and right-wing populists are waking up to these facts. Less than a decade before the writing of this thesis, right-wing populist rhetoric would have been a laughing matter. Things are now changing, and political demagogues are creating rivalry between countries and encourage isolationist practices, two things that led to the same factors which many blame for starting WWI and WWII. This wave is an issue.

In order to deal with this problem, I suggest that countries realize that the current socio-political environment is no longer the same as it was back in 1944, so these must completely rid themselves of the current Bretton Woods policies and implement a new system that does not produce the toxic environment that we are currently facing. The viability of this solution depends merely on how much each country is willing to compromise, and with this I want to say that political will is going to be a major factor in implementing it.

This paper does not say that globalization is the only factor that led to the rise of right-wing populists; however, dismissing the reform of globalization when trying to solve the issue of right-wing populism will lead to nothing but further problems. In addition, there is an overarching question that cannot be ignored by this paper – is it not strange that the same system that was supposed to unite the world is actually dividing it? The irony behind this is not small at all.

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