**Details of the debate**

**Jobs, Wages, and Regulations**

**Risks**
- Race to the bottom?
  - Globalization lowers labor standards
  - Eliminates jobs in developed countries
  - Forces wages lower in developing countries
  - Exploits workers in developing countries
  - Weakens protection of the environment

**Opportunities**
- Race to the top?
  + Increases wealth and efficiency
  + Generates labor market flexibility
  + Creates jobs in developed and developing countries
  + Investment raises labor standards
  + Open economies are the most environmentally friendly

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**Rules of the Game:**

**Commanding Heights examples**

**NAFTA**

![Chart 1](image-url)

**Backlash against rules of the game**

100,000+ Mexican farmers protest against NAFTA and US/Canadian subsidies

Mexico, 2008

Kenyan farmers protest European agricultural subsidies

Kenya, 2004
Details of the debate
Jobs, Wages, and Regulations

Pollution haven effect
"using data on U.S. regulations and trade with Canada and Mexico for 130 manufacturing industries from 1977 to 1986, indicates that industries whose abatement costs increased most experienced the largest increases in net imports”

(Levinson and Taylor 2008, 223)

California effect (Trading up)
"exports of automobiles and related components from developing countries to countries with more stringent automobile emission standards are found to be associated with more stringent domestic emission standards”

(Perkins and Neumayer 2012, 217)

Details of the debate: income and inequality in the US

The income of the median household climbed by 5.2% to $56,516. That's one of the biggest increases in recent years, though still leaves median incomes below their levels prior to the recession and below the all-time peak reached in 1999.

Details of the debate
Income Inequality

Inequality within nations
Conflicting evidence
The poor in developing nations may have more opportunities to move up than those in developed nations

Inequality between nations
Conflicting evidence
One group of poor countries closing the gap, another falling further behind

Global inequality
Global poverty is declining, but degree and geography of costs and benefits is in question

Details of the debate: income and inequality in the US

Income Distribution
While median household income remains lower than its prerecession peak, households at the 80th, 90th and 95th percentiles have never earned more.

$250,000

Source: Census Bureau

THE WALL STREET JOURNAL
Details of the debate
Inequality between nations and regions

Details of the debate
National Sovereignty

Risks
- Globalization impedes governments’ ability to make their own decisions and set their own rules

Opportunities
+ Some losses of sovereignty can be beneficial

Rules of the Game: Commanding Heights examples
The Asian Financial Crisis

Market Signals
→ What message are you sending to foreign investors?

*Average for Indonesia, Malaysia, Philippines, South Korea and Thailand

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*Note: The depiction and use of national boundaries and geographic names on maps in this website are for illustrative purposes only and do not necessarily imply official endorsement or acceptance by the United Nations Cartographic Section nor by the United Nations Development Programme or the Human Development Report.
The Washington Consensus = The Golden Straightjacket?

- Fiscal policy discipline
- Redirection of public spending toward education, health and infrastructure investment
- Tax reform: broadening the tax base and cutting marginal tax rates
- Interest rates that are market determined
- Competitive exchange rates
- Trade liberalization: replacement of quantitative restrictions (quotas) with low and uniform tariffs
- Openness to foreign direct investment
- Privatization of state enterprises
- Deregulation: abolition of regulations that impede entry or restrict competition, except for those justified on safety, environmental and consumer protection grounds, and prudent oversight of financial institutions
- Legal security for property rights

Washington Contentious = New Rules for Prosperity?

1. Rule-based fiscal discipline.
2. Smoothing booms and busts.
3. Social safety nets that trigger automatically.
4. Schools for the poor, too.
5. Taxing the rich and spending more on the rest.
7. Protecting workers’ rights.
10. Consumer-driven public services.
   **Plus 1.** Reducing rich-country protectionism.

The Washington Consensus = The Golden Straightjacket?

- Opening up to outside investment and trade
- Creating favorable conditions for foreign investment and trade
- Increasing output through export-led development

Washington Contentious = New Rules for Prosperity?

- Creating a safety net
- Reducing risk from foreign investment and trade dependence
- Redistributing the benefits of economic development
**Slowing down the electronic herd?**

→ **Currency transaction taxes**
  e.g. The Tobin Tax

**Goals:**
* Slow down currency speculation
* Avert financial crises
* Fund development initiatives

**Criticisms:**
* Won’t deter capital flight in crisis situations
* Too difficult to implement globally

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**Details of the debate**

**Culture**

**Risks**
* Destroys cultural diversity

**Opportunities**
* Increases cultural exchange and understanding