

The Future of International Politics: The Rise of China and Globalization

POSC 1020 – Introduction to International Relations

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Puzzle(s) for Today

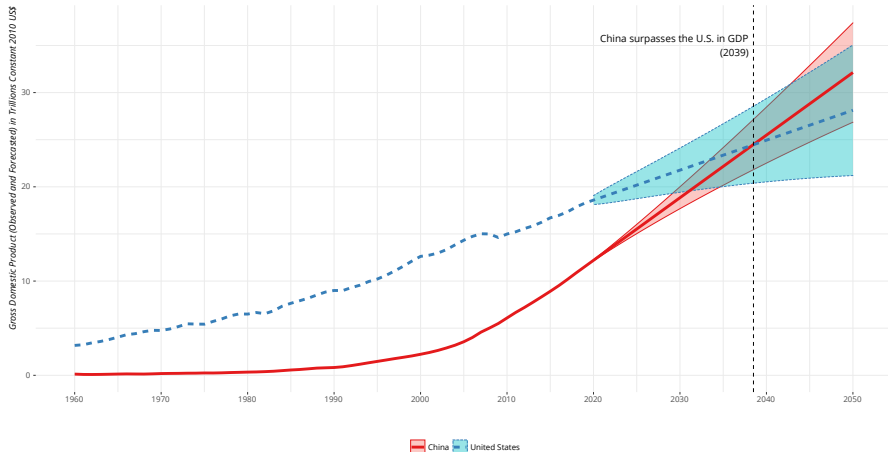
We've learned a lot of international politics' present and past, but what does the future hold?

The Future of International Politics

1. The proliferation of WMDs
2. The future of American global leadership (i.e. "The Rise of China?")
3. Globalization and its discontents

China Should Surpass the U.S. in GDP by 2039

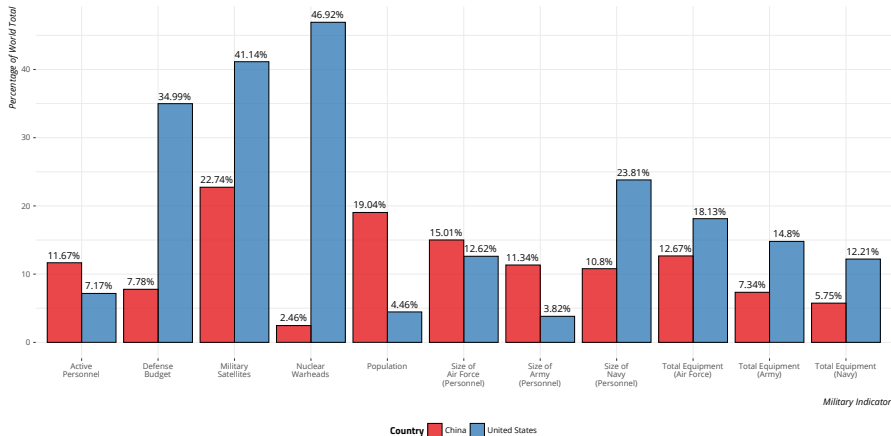
China's yearly growth in economic activity to date is greater than the growth we observe in U.S. economic output even as (reasonable) worries about China's economic trajectory persist.



Data: World Bank national accounts data, and OECD National Accounts data files. Forecast based on last year in World Bank data (2017). See [?usa_chn_gdp_forecasts](#) in `{stevedata}` for more.

China's Eventual "Rise" Still Comes Amid Major Military Disparity with the United States

Generally: China beats U.S. on manpower and never quality or equipment. We expect these trends to persist even as China surpasses the U.S. in economic output.



Data: Military Balance (2015) and Federation of American Scientists (for Nukes)
 Army Equipment: Tanks, recon equipment, armored fighting vehicles, artillery
 Navy Equipment: submarines, principal surface combatants, amphibious equipment,
 Air Force Equipment: Combat-capable aircraft

What's the Problem With China's Rise?

“Rising” states expect to do better in war.

- As a result, it's more likely to threaten force to revise the status quo.
- A “risen” China is less likely to honor the terms of a pre-power transition agreement.

Indeed, commitment problems magnify the war-proneness of power transitions.

- Further, the U.S. and China have more disagreements than previous cases like Germany and Japan after WWII.

Is There Cause for Optimism?

Optimistic analysts see promise in China's globalization/leadership efforts.

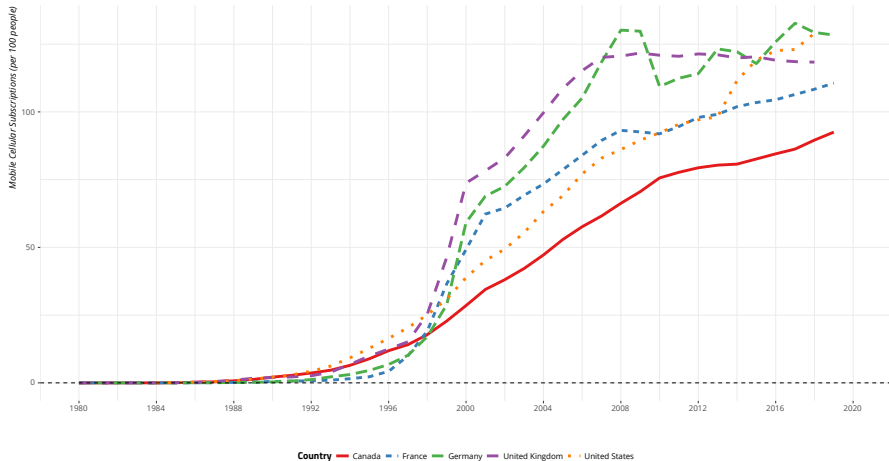
- e.g. participation in WTO, Asian Infrastructure and Investment Bank

Indeed, China seems to have a vested stake in the current economic/political order, disputes with the U.S. notwithstanding.

- However, Chinese behavior still permits major skepticism.

More and More People Are Owning Cell Phones

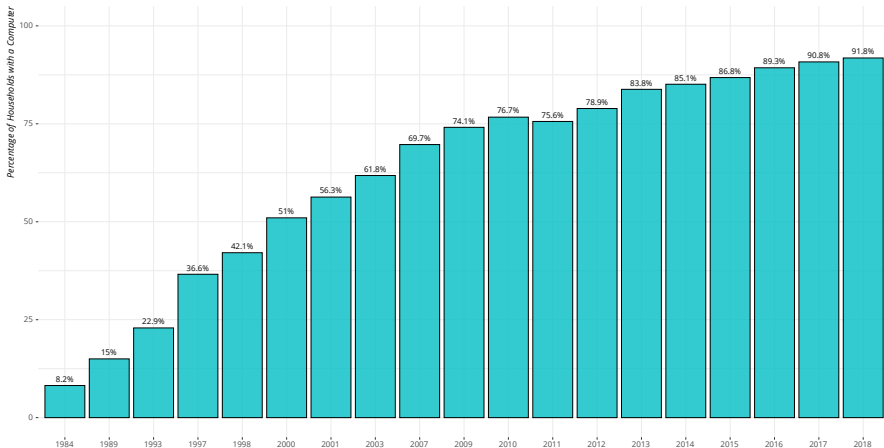
Globalization has made cell phone ownership readily accessible, which has been a major boon to quality of life in Western countries.



Data: International Telecommunication Union, via the World Bank

Almost Every Household Has a Computer These Days, Thanks to Globalization

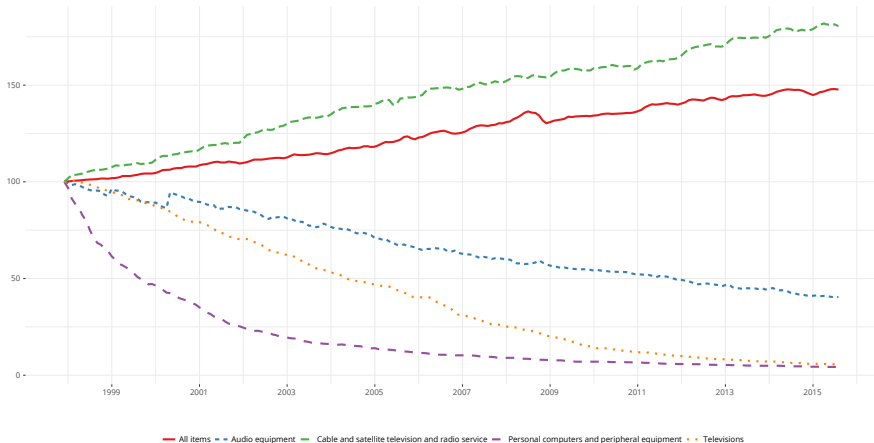
Household computers used to be a luxury item before parts could be cheaply made/imported from Asia. In fact, the old Apple Macintosh from 1984 cost more than \$6,000 in 2017 USD.



Data: Current Population Survey Estimates. See `7usa_computers` in `(stevedata)`.

The Price Indices For Computers and TVs Have Declined More Than 95% Since December 1997

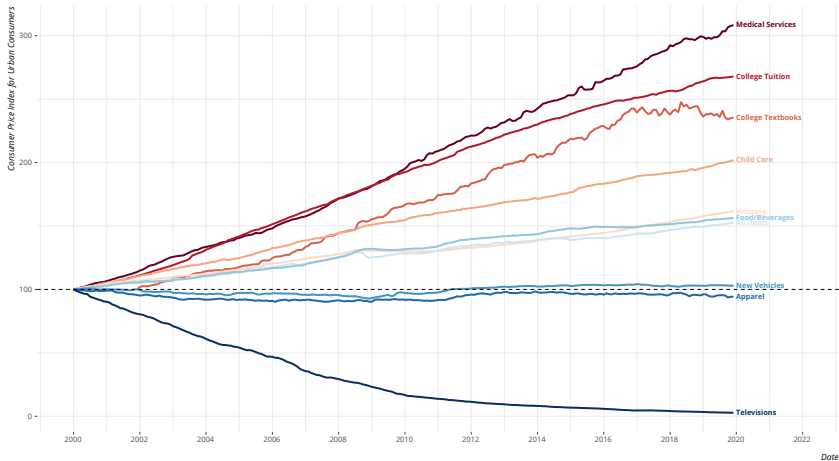
Most of the decline happened between 1998 and 2003 following a boom in cheaper parts and products coming from trading partners in Asia.



Data: Bureau of Labor Statistics. Base: December 1997.
Source: <https://www.bls.gov/pub/ted/2015/long-term-price-trends-for-computers-tvs-and-related-items.htm>.
See: 7.TPT in {stevedata}

"Let Them Watch TV"

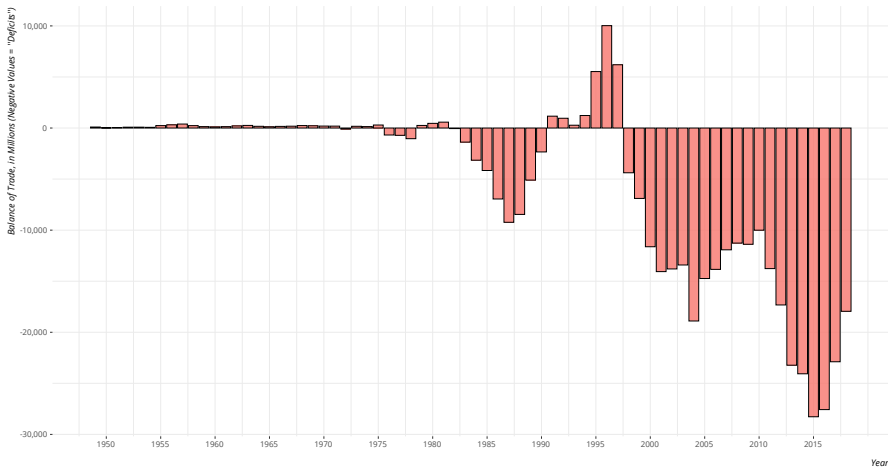
Liberalized trade has made consumer electronics (like TVs) fractions of their past prices. Yet, young adults face mounting costs for college, child-raising, and health care that government policy has failed to address.



Data: Bureau of Labor Statistics. Base period = Jan. 1, 2000. See ?LTWT in (stevdata).

The Boom in Cheap Household Computers Followed a Surge of Imports from South Korea (Among Others)

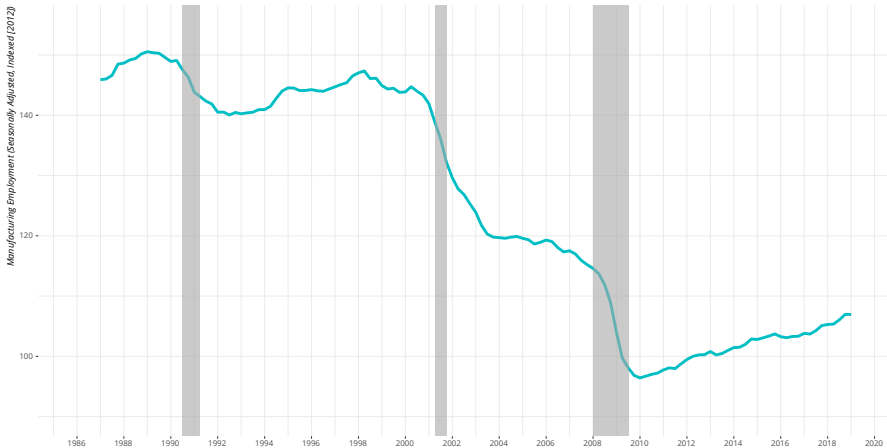
South Korea specializes in cheaply producing high-quality consumer electronics for consumption in the U.S.



Data: Correlates of War Dyadic Trade Data (v. 4.0, 1949-2014). U.S. Census Bureau: 2015-2018.

U.S. Manufacturing Employment Has Declined as Globalization Has Increased

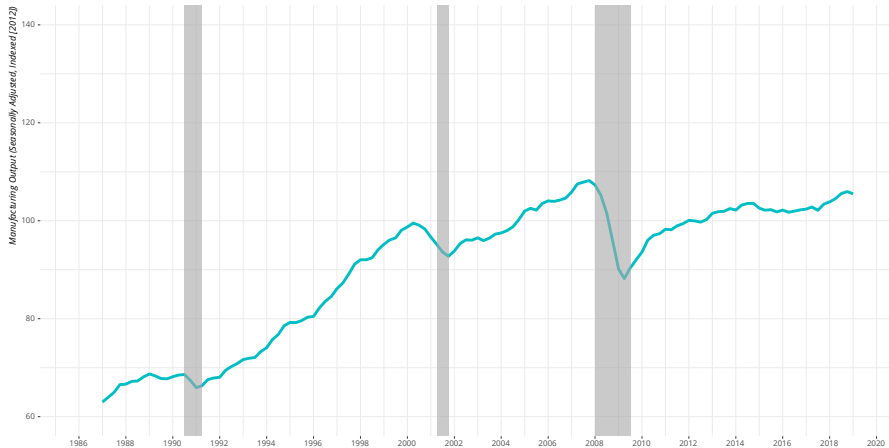
You'll almost always hear of this as "jobs leaving the country" because of globalization.



Data: U.S. Bureau of Labor Statistics. Data are seasonally adjusted with 2012 as the index year. Shaded areas are recessions.

U.S. Manufacturing Output Has Generally Risen Despite the Drop in Manufacturing Employment

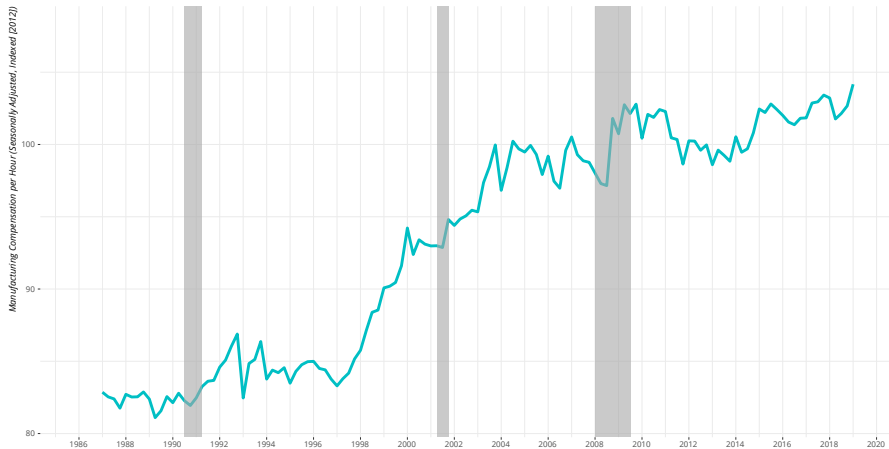
Automation explains more of this phenomenon than globalization, but globalization gets the blame.



Data: U.S. Bureau of Labor Statistics. Data are seasonally adjusted with 2012 as the index year. Shaded areas are recessions.

Manufacturing Pays More Now Than It Did When There Was More Manufacturing Employment

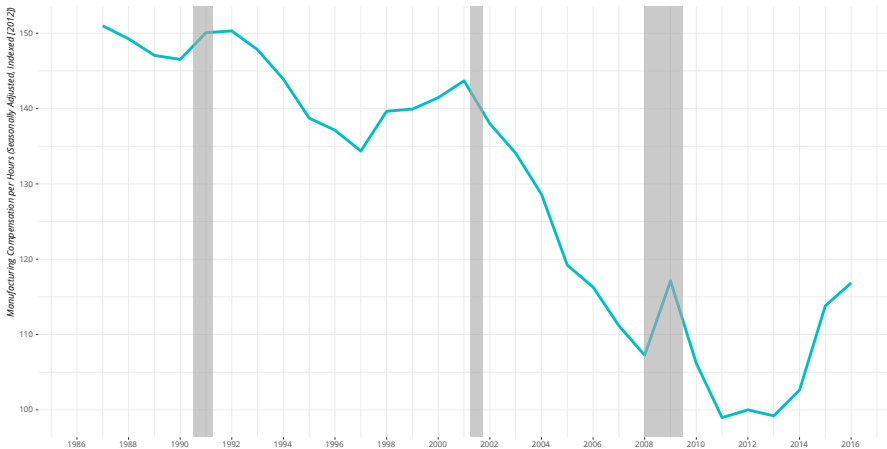
Real compensation per hour is on the rise because automation/globalization has decreased demand for low-skilled labor and increased demand for high-skilled labor. This raises wages.



Data: U.S. Bureau of Labor Statistics. Data are seasonally adjusted with 2012 as the index year. Shaded areas are recessions.

Labor Share of Income in Manufacturing Has Gone Down

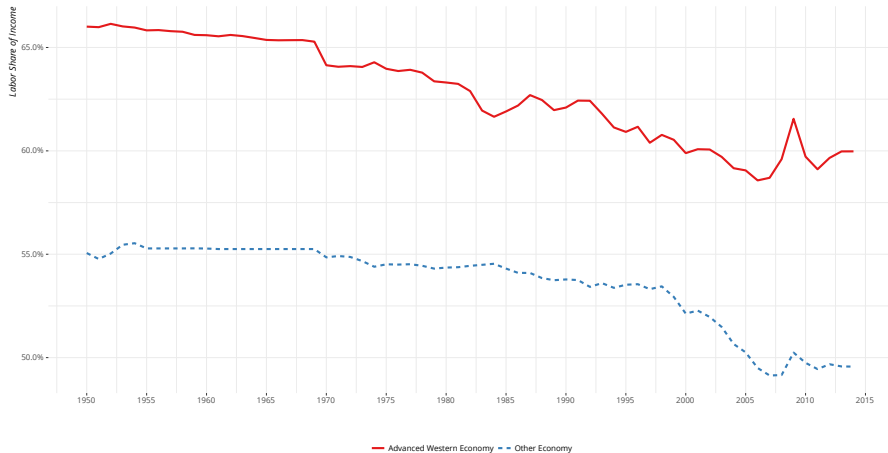
Gains in income/productivity result in wages for skilled labor/management or reinvestment in capital.



Data: U.S. Bureau of Labor Statistics. Data are seasonally adjusted with 2012 as the index year. Shaded areas are recessions.

It's Not Just the United States: Labor Share of Income is Falling Everywhere

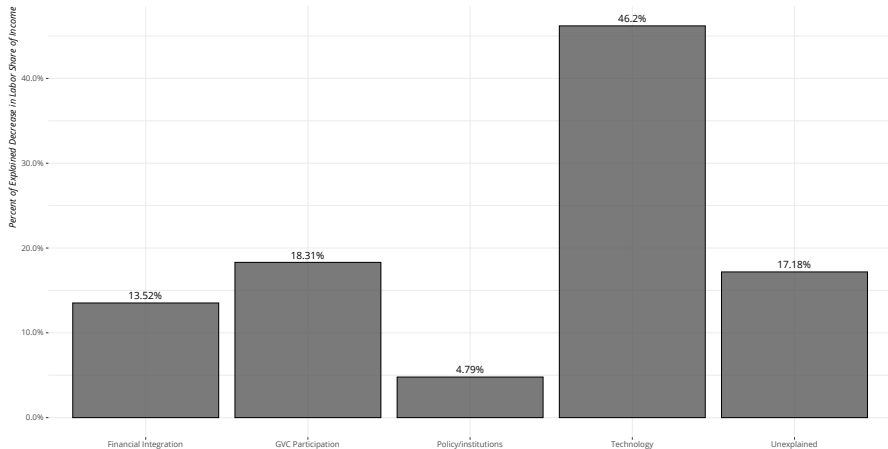
The trend has been observable as long we have data with more pronounced slides happening in the 1980s.



Data: Penn World Table 9.0
"Advanced Western Economy" determined by World Bank region for convenience. These observations are the U.S., Canada, Australia, New Zealand, and countries in Western/Northern Europe.

What Explains Declining Share of Income in Advanced Economies? Technology.

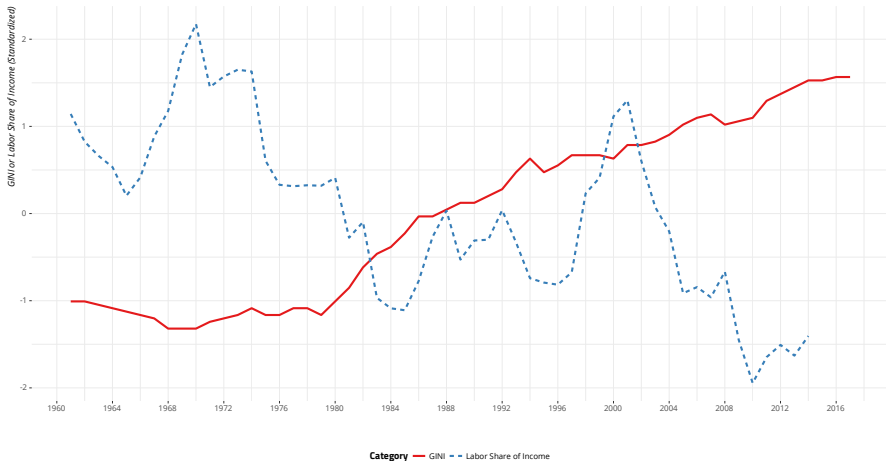
An IMF report from April 2017 found most of the movement is explained by declining relative price of investment and initial exposure to routinization across sectors.



Data: IMF. Reconfiguration of Figure 3.11 in "World Economic Outlook, April 2017: Gaining Momentum?"

The Correlation Between Income Inequality and Labor Share of Income Is Particularly Strong in the U.S. ($r = -.702$)

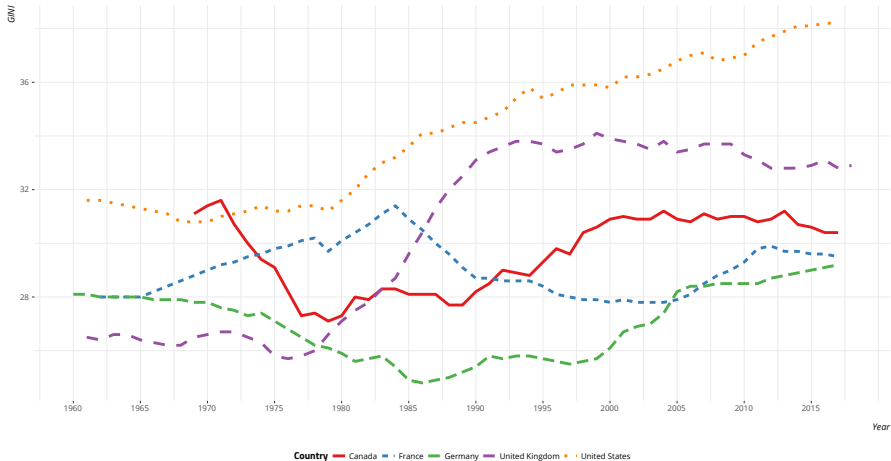
Labor share of income's decline is global and has multiple reasons but U.S. policy may be making its effects even worse.



Data: Penn World Table (v. 9.0), SWIID (v. 8.2)

Globalization Skepticism Appears Most Concentrated in Western Countries With Severe Income Inequality

Globalization and trade become easy scapegoats to justify austerity measures and cuts to social spending that only compound the problem.



Data: SWIID (v. 6.2)

Conclusion

China's "rise" may lead to war with the U.S.

- Preventing this requires integrating China into U.S.-created institutions.

Globalization is a force for peace, but it's a policy that creates winners and losers.

- How you compensate the losers will condition the future of globalization.

Table of Contents

Introduction

The Future of International Politics

The “Rise of China” and the Future of American Leadership
Globalization and Its Discontents

Conclusion