

Memo Prepared for the Hoover Institution Workshop on the Future of Western Civilization

Do We Have Too Much Openness?

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Too Much Openness?

Conventional liberal approaches have celebrated openness in all of its forms. Comparative advantage in trade guarantees that countries will, in aggregate, be better off. Openness for capital flows guarantees that capital will be put to its best use on a global basis. Openness for ideas means that different perspectives will be able to compete freely in the marketplace of ideas. Openness for the flow of people means that individuals will have opportunities to match their skill sets with available job opportunities or at least that they will not be killed by genocidal regimes or lose their lives in unstable political environments afflicted by civil strife.

Liberalism provides limited guidance for understanding the extent to which societal support for a liberal order might be undermined by too much openness; no guidance for how too much might be understood or operationalized.

Economics:

The economic issues presented by openness are most easily understood. Comparative advantage demonstrates that countries as a whole are better off by exporting those goods that use factors of production with which they are most abundantly endowed. The theory, however, assumes that factors of production are immobile across countries. The standard argument by American policy-makers, at least policy makers before Trump, has been that economic openness makes the United States better off as a whole, but that there are winners and losers. The losers should be compensated, and the U.S. does have many programs for re-training. But these programs are only moderately successful and the American labor market is very fluid. Workers move, employers do not have an incentive to train workers because they may leave or be fired.

Moreover, the assumption of factor immobility across countries does not hold in the contemporary world especially for capital. International capital mobility is beneficial for the holders of capital; it is not necessarily beneficial for other factors of production in countries that export capital. It is great for other factors of production in countries that received capital. Average hourly wages in the United States in constant 2014 dollars have hardly changed at all since the mid 1960s (wages were \$19.18 in 1964 and \$20.67 in 2014 (in 2014 dollars) according to the Pew Research Center). In contrast in China average manufacturing wages tripled between 2005 and 2016.

Technological change has also played a major role in the flatness of American wages and the job market in general. People are being replaced by robots. The labor force participation rate in the U.S. hit a low of about 50 percent in the late 1950s, rose to almost 68 percent around 2000, and has fallen to its current level of around 63 percent. The labor force participation rate in the US is higher than in the EU where the rate was 57% in 1990 and 57% in 2016.

Thus, a cursory reporting of the figures on the U.S. labor market suggests that things are not great, but they are not that bad either. A more disturbing data point, is the declining US life expectancy for poorly educated whites. Life expectancy for white women and for white men without a high school diploma fell by 5 years and 3 years respectively between 1990 and 2008. Overall US life expectancy fell last year, the first time since the height of the AIDs epidemic. Life expectancy also fell in France in 2016 for the first time since the second world war.

Whatever else one might say things are not going well for the poorly educated part of the US labor force and while globalization might only play a small part in explaining this unhappy outcome, it is a contributing factor and one that is easily identified by disaffected Americans.

Changes in labor force participation and in wages are taking place in the context of a larger technological revolution that is global in its impact and that is affecting all countries, rich and poor. The first industrial revolution in the 19th century resulted in a massive movement from agriculture to manufacturing. As evidenced in the writing of Marx, this transformation was evident to those that were living through it. The political consequence of this transformation was the development of social labor parties in continental Europe, the Labor Party in the UK, and the new deal Democratic Party in the United States. There is no consensus at the present moment about the impact of the current technological changes on the labor market, or their long term impact on politics. Perhaps people displaced by roots and cheaper foreign labor will move seamlessly into the service sector, but perhaps not.

The short term impact, the rise of populism in the United States and western Europe, is already evident. If there has been a compelling response in the United States to the consequences of trade and capital openness and the present technological revolution, I have missed it.

Identity and Population flows.

The most crushing blow to western civilization was Nazi Germany, one of the most advanced countries, arguably the most advanced country in the west, embraced a set of genocidal policies from which the West has still not, and will never, recover. All of the accomplishments in art, science, economics, and politics pale in comparison to the genocidal slaughter of six million people, policies that were not those of Germany alone. The current level of angst about western

civilization must be placed in an historical context, which includes the killing of tens of millions of people in the first and second world war topped off by the Holocaust.

Nevertheless the disenchantment with the consequences of openness with regard to the flow of people has afflicted populations in the United States and Europe. One version of American identity, associated clearly with the Harvard professor Louis Hartz, is that American identity is defined by adherence to a set of liberal Lockean values; ethnicity and other ascriptive characteristics are irrelevant. (For a very recent example see the May 2, 2017 op ed by Robert Jones in the *New York Times*). An alternative conceptualization has been offered by Walter Russell Meade. He argues that there are at least four conceptions of American identity, reflected in very different stances on foreign policy, in the United States: Wilsonianism, Hamiltonianism, Jacksonianism, and Jeffersonianism. Wilsonians want to actively re-shape the world in America's image; Hamiltonians are concerned about economic openness but not politics; Jeffersonians are content to present America as a city on a hill to which the rest of the world should aspire; and Jacksonians want the United States to be left alone, distrust the government, love their guns, have a white Christian identity, and are willing to beat the crap out of those that threaten the United States. At least some of the support for Donald Trump and for nationalist movements in Europe reflects a Jacksonian mindset. This orientation is obviously not embraced by all Americans but it is held by some and its attractiveness has, historically, increased when the percentage of foreign borne in the United States has risen. The percentage of foreign borne in the US was about 10 percent in 1850, but rose to about 15 percent around 1900 after which a series of restrictive immigration policies were passed. The percentage of foreign borne dropped to 5 percent in 1970 but increased to 13 percent in 2013.

It is obvious that if there were no barriers to the movement of people imposed by distance or state policy that many individuals from poorer countries would flood into wealthier areas. There is some percentage of individuals, a proportion now completely undefined, that would fundamentally change the nature of the polity, any polity. Governance depends at least to some extent on shared norms, often implicit, that enhance the legitimacy of public authorities and voluntary compliance with rules. Liberal values, which focus on individuals, have no way of specifying what an acceptable, level of immigration might be for the indigenous population. After an unprecedented number of immigrants from the Middle East and Afghanistan arrived in Europe in 2015 a number of European countries passed restrictive new laws, which limited the flow of immigrants. The European Union also concluded an agreement with Turkey. Respectable liberal opinion has left nothing in between openness and fascism. There may be, there must be, some percentage of immigrants in any fundamentally liberal polity that would undermine governance. But what that percentage might be is a forbidden topic. Discussions of restrictions default to the St. Louis, the German liner that was turned away from Cuba and the United States in 1939 with more than 900 Jews on board.

Information and Ideas

Finally there is a strong, in the United States, unconstrained commitment to freedom of information. A few countries, most notably Germany, do prohibit some kinds of information, such as pro-Nazi, propaganda but in general the western ideal has been associated with the free flow of ideas. It has become a commonplace in the United States to point out that many individuals now live in their own information bubble. What is fake news to some, is true to others. On the right, especially the Christian fundamentalist right in the United States, views about which there is the strongest scientific and evidentiary support, such as the theory of evolution, have been rejected because they are understood to contradict religious teaching. Information that contradicts the Bible is understood to be fake. On the left, and especially in the humanities, there has been a decades long focus on deconstruction. There is no objective truth. Those who wield power get to present their own facts. Fake news did not just appear with the Trump presidential campaign. It has long been prepared for on the left as well as the right albeit for very different reasons.

At least one response to what is seen as an avalanche of fake news is to somehow return to a period where the news was filtered by editors broadly conceived, who were professionally committed to unbiased reporting. It is not clear, however, how we would get from here to there. Moreover, if the deeper roots of fake news lie with evangelical Christianity on the right and deconstructionism on the left, the re-established of some system of editorial screening would have little or no impact. It is also completely unclear how such a process of editorial screening might be established given that technology, the internet, has dramatically increased the opportunities that individuals have to find a news source that will confirm their already existing biases.

Liberal, what we might term, western societies have only existed in the world in a limited number of places notably western Europe, North America, and East Asia for a limited number of years. The west, if the west is thought of as a set of governments that have solved the Madisonian dilemma of creating a government that is strong enough to rule effectively but that does not abuse the people under its authority, is a rare accomplishment. Openness to goods, factors of production, people, and ideas, has been a hallmark of the west. It is not, however, clear that unconstrained openness is consistent with the maintenance of a liberal orders. Too many people may be economically hurt by the free flow of goods; too many people might be threatened by the free influx of people; too many tacit norms might be undermined by large scale immigration; too much misinformation might result from the free flow of ideas. The maintenance of a liberal order might require some constraint on the flow of goods, factors or production, people, and ideas but liberalism provides no guidance on what these limits might be or even how to think about them.