



The Steps to Globalization

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[Previously](#), I presented a challenge we will have to solve to cross the final frontier of globalization—the movement of labor. Constrain immigration, which inhibits competition and economic activity, or allow immigration, which requires public sector investment to accommodate a rapidly growing and diversifying economy.

So, what will it take for us to cross that final frontier and globalize the movement of labor?

First, there needs to be an open debate on the benefits of globalization. For example, allowing for the movement of labor increases domestic demand.

It also fosters an environment of entrepreneurialism because migrant workers are more apt to start their own businesses or go to work for smaller companies (where 90% of job creation occurs) knowing their families will have continued access to healthcare and education.

Second, we need to discuss what is required to successfully allow for the movement of labor. For immigration to be globalized, for example, we need better policies—policies that give individuals enough security to move around without the fear of losing their livelihoods—their jobs, their healthcare, their pensions.

Finally, integration policies are also critical. When many people migrated to Europe in the 1960s due to strong

growth and labor shortages, Swiss writer Max Frisch remarked that we invited workers but people came. It's a very telling phrase.

We need to provide a means for people to get acclimated so they can participate fully in the economy to their level of skills rather than being employed in a suboptimal field. Often we see migrant doctors and lawyers and professors driving taxis. They need to support their families, but society as a whole is losing out.

Of course, all of this has to happen without taxing the public welfare net, and we need to discuss how to make that happen. Perhaps, for example, we say that for the first five years, migrants aren't entitled to any social benefits, thereby weeding out anyone who isn't interested in working. Surely there is a solution.

If we reorient along these lines, we may see results sooner than many people think, within a few years. There are already some private initiatives emerging in the United States to support the movement of labor, such as groups of local employers rotating workers.

They cannot individually guarantee full employment year round, so they partner with other employers in the same supply chain to keep workers employed. It's a win-win: Workers don't have to move their families, and they improve their skills. Now, we need to implement such programs at a higher level.

Finally, it's worth noting that much of the dislocation we're feeling will pass in time, because it has less to do with globalization than it does with technological progress; globalization is being used unfairly as a scapegoat by populists.

When radically new technology is introduced, it reduces productivity growth for several decades, and that leads to lower wage growth. We saw that in the 19th century, after the invention of electricity and the steam engine, and we're seeing it today, after the invention of computing devices that are able to crunch data in hitherto unknown quantities.

But there is eventually a rebound, and productivity does increase again.

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