**The Reality Of Globalization**

**Summary**

Already there is evidence that US companies obtain a substantial amount of their sales from abroad, enough that one can argue that globalization is really with us to stay.

There is no doubt, however, that globalization does leave some people, industries, geographic areas and nations behind and this fact must not be ignored for globalization to move forward.

History shows that efforts to slow down or stop globalization provide only short-term relief for those negatively impacted, but creates large changes in income inequality over the longer run.

Rana Foroohar provides the following data in her recent opinion piece in the [Financial Times](https://www.ft.com/content/c53689de-5240-11e9-9c76-bf4a0ce37d49):

Despite small decreases in overseas revenues for the past couple of years, nearly half the sales of the S&P 500 come from abroad.”

This information struck me because I believe that it underscores the discussion about the role that globalization is playing in the world today.

I don’t know what the appropriate percentage should be to support the fact that American corporations are, in fact, “global” institutions, but a 50 percent figure certainly supports the argument that they are something more than just companies representing a single nation.

Furthermore, the argument can be made that these corporations contain the latest technology available and that they are becoming more and more like the “new” Modern Corporation that I have written so extensively about.

To a great extent, many of these companies, especially the leaders, are more focused upon intellectual property and less attentive to physical property in their growth and development.

These companies, competing in an international market, must be at the leading edge of their industries, technology-wise, which means that they are creating “webs of connection” throughout the world, creating an interactive world and are becoming more than just operations with a “linear” basis.

The linear business model is one of just buyers and sellers.

Most of these organizations are also connected with intellectual communities throughout the world, universities and think tanks, and are continuously concentrating on what new ideas are being worked upon and what new innovations are coming soon to market.

The world that I have just described is one where information grows and spreads as time passes.

Companies that are obtaining half of their sales revenue from abroad must be competitive in the world.

Therefore, we end up with a cumulative situation where the growth and success of these corporations drive the demand for more information, while at the same time the growth and spread of information help to drive up the proportion of revenue these organizations receive from the rest of the world.

People and policymakers that want to slow down this process generally hurt only over time the groups they are trying to protect.

Given the fluidity of world markets and the ability of information to flow, the geographic areas that do not attempt to constrain trade will continue to prosper and continue to grow and spread information.

The business organizations that are impacted by the attempt to slow down their activity will move their resources “offshore,” if they are not already there, and continue to compete and expand their markets where constraint is not felt.

The result of this is that inequality increases. The areas that are restricted will suffer slower income/wealth growth, while the areas that are not restricted will see their activity grow and will prosper greatly from the opportunities available to it.

This is not totally unlike what has happened in the United States over the past almost sixty years as the US government engaged in stimulative policy efforts to keep employment as high as possible. However, in creating the credit inflation that accompanied this “program,” incentives were set up that made it easy for sophisticated investors to take advantage of asset price inflation that resulted to make money in housing, commodities, stocks, and turning over businesses. Financial innovation thrived and generated many new opportunities to financially “engineer” the economy.

These “investors,” underwritten by relatively steady market support by government monetary and fiscal policies, made lots and lots of money. As a consequence between 1960 and the present, the income/wealth inequality in the United States rose dramatically.

This same phenomenon can be experienced when governments fool around with trying to restrict international trade and push back on globalization.

This does not mean that the government does not have a role to play in this globalization.

As Ms. Foroohar writes, “we should recognize that the state has a role to play, not by picking corporate winners, but by in investing in the things that the market won’t — infrastructure, education and healthcare — and then making sure companies that benefit from them pay their fair share in taxes. We should also ensure that our market system is actually free, by enforcing antitrust rules and crafting smart regulation to create a truly equal playing field. Doing so could help us better see the strengths in our own system.”

The bottom line is that globalization is going to continue to happen. If a nation wants to benefit from the fruits of this globalization, it is going to have to “work with the grain” of globalization and not work against it.

There is no question that some will be hurt by this movement, and that is why there is a role for government to play in making globalization as inclusive as possible. In order for the system to work, resources are going to have to be allocated to help allow as many people as possible to participate in the benefits.

The reality of globalization is here. Over the next decade or so, S&P 500 corporations will receive more than just 50 percent of their sales from abroad. More and more “stuff” is going to be sold throughout the world and we need to play a role in this rather than focus on the “pain” that might be inflicted on some which will lead us to try and slow globalization down.

History is pretty conclusive that, over time, information does grow and spread. And, along with the growth and spread in information, globalization moves on.