



Can Globalization Be Inclusive?



Marc Muendler, a professor of economics and an expert in international economics, just arrived from the University of California, San Diego, and has big ideas for HSG's Global Economy Center, which he considers joining. Must trade and innovation always create inequality? Is inclusive globalization possible? What is on offer for economics students at HSG?

You are a professor at the University of California, San Diego. HSG has invited you to join our ranks as a professor in international economics at our Global Economy Center. Why is our university attractive to you, and what is your vision for the Center?

HSG and the Center would provide a stimulating environment for my research, teaching and policy activities. In much of my research, I study the origins of globalization in the capabilities of local firms and comparative advantage of industries. I also study the consequences of globalization for individual workers and their firms in many countries. This perspective, and modern-day quantified models with the microeconomics embedded, could bring a strategic complement to the Global Economy Center. We can help policy makers and business leaders to understand what chances and what perils the local economies face from globalization and trade conflicts.

You are an expert in international economics. What is on offer for MEcon and MiQE/F students and all other Econ aficionados? Must economics always be so technical?

I envisage insights far beyond economics, such as from philosophy and other social sciences. We should look beyond just aggregate economic activity such as GDP and address policy questions around inequality. To keep instruction rigorous but make it less technical, current policy examples can guide instruction. As Albert Einstein once said, we should make our explanations as simple as possible, but no simpler than that. Among other courses, I will offer a MEcon course about topics in international macroeconomics. What makes economies competitive? What makes their foreign debt sustainable? How is international integration shifting exchange rates and the global division of labor, from which much of our prosperity derives?



Which projects are keeping you busy in your current research? Is your best publication also the one that you personally like the most?

I always think my best publication will be the next one that I am working on. That keeps me going. The published papers are a bit like children. All fine in their own ways, and all a part of me now, some perhaps more successful than others, but all mine. In research using micro data on workers, co-authors and I recently documented that the strongest contributor to wage inequality is not between high-paying and low-paying industries or firms, not even between high-paying and low-paying occupations. A whopping half of the variability in wages is between workers in the same type of job at the same plant. In another research line, co-authors and I ask how long specialization patterns last or how fast they change for countries. They change far quicker than we thought.

Must free trade and innovation always create inequality?

No, not by any means.

Can we have free trade and inclusive globalization combined?

Yes, in many ways. We consistently find in the data that globalized firms are the high-paying ones. In principle, globalization can generate a double dividend if sufficiently many firms globalize: more prosperity and less inequality, but there is no guarantee. Many channels are at work. In some cases, more inequality is inevitable. However, the extra prosperity always creates the policy space to use tax systems and training or education policies to enhance occupational and social mobility, so that the gains from globalization can spread widely.

You just flew in from California. Isn't it rather fresh here? What are your first impressions on HSG and Switzerland?

My family and I came in during the autumn break and we had several beautiful and warm fall days. Now my kids, and my wife and I, are excited about the first snow and hope the next snowfall will not melt but stay for a while.

For more information, please visit <http://econ.ucsd.edu/muendler> or write to marc-andreas.muendler@unisg.ch.