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Summary

Globalization—the reduction or elimination of trade barriers throughout the world—offers significant benefits. Economic liberty strongly correlates with increased wealth, and it tends to undercut oppressive governments. Also, international investment and trade help create important economic incentives for peace.

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“Indeed, the problems of globalization must always be ‘compared to what?’”

Poverty for all?

by Doug Bandow

Long a fixture on Friday afternoons, anti-globalization protestors in Portland’s Pioneer Square have seen their numbers steadily dwindle. Perhaps Oregonians have begun to realize the First World demonstrators, who pose as defenders of Third World peoples, actually advocate leaving the latter destitute.

The process of development, of moving traditional, agricultural societies into the industrial and information age, is extraordinarily painful. It was difficult enough for Western societies, which took hundreds of years to develop. It is even harder for today’s developing states, which are attempting to telescope the process into a few decades.

However, that pain must be endured to achieve a better life. Economist Joseph Schumpeter termed capitalism “creative destruction.” Every innovation creates losers: Automobiles ruined the buggy industry, computers destroyed the typewriter industry. It is fair to encourage the development of social institutions to ease the transition. It is not fair to shut off development.

Some trendy Western activists wax eloquent on the wonders of rural living. Presumably they have never visited a poor country, let alone a poor countryside. When I traveled the hills of eastern Burma with the relief group Christian Freedom International, I found ethnic Karen villagers living in wooden huts open to rain and insects. There was neither electricity nor running water. People lacked latrines and let their livestock run loose; filth was everywhere. In such circumstances, life is hard, disease is rampant, and hope is nonexistent. No wonder people flee to the city. Not one Portland protestor would likely choose such a “dignified” way of life.

Indeed, the problems of globalization must always be “compared to what?” Yes, factories pay lower wages in Third World countries. However, workers in them have neither the education nor the skills to be paid at First World levels.

Their alternative is not a Western university education or Silicon Valley computer job, but an even lower-paying job with a local firm—or unemployment. The choice is clear: According to Edward Graham of the Institute of International Economics, in poor countries American multinationals pay foreign citizens an average of 8.5 times the per capita GDP.

Overall, the process of globalization has been good for the poor. During the 1980s, advanced industrialized countries grew faster than developing states. In the 1990s, as globalization accelerated, poor nations grew at 3.6 percent annually, twice that of their richer neighbors.

Despite the illusion of leftwing activists that money falls from the sky, poverty has been the normal condition of humankind throughout most of history. As even Marx acknowledged, capitalism is what eliminated the overwhelming poverty of the pre-industrial world. That remains the case today. Resource endowment, population level and density, foreign aid transfers, past colonial status—none of these correlate with economic wealth. Only economic openness does.

The latest volume of the *Economic Freedom in the World Report*, published by the Cato Institute and think tanks in 50 other countries, finds that economic liberty strongly correlates with economic achievement. Policies that open economies strongly correlate with economic growth. By pulling countries into the international marketplace, globalization encourages market reforms. With them comes increased wealth.

Concern over the distribution of income understandably remains, but if nothing is produced, there is nothing to distribute. And, in fact, globalization has shared its benefits widely. In a recent World Bank report, economists David Dollar and Aart Kraay conclude that the “Income of the poor rises one-for-one with overall growth.”

Globalization also has important political ramifications. Freedom is indivisible; economic liberty tends to undercut political controls. Countries such as South Korea and Taiwan, both primary markets for Oregon exports, threw off authoritarian dictatorships once their burgeoning middle classes demanded political rights to match economic opportunities.

International investment and trade also help dampen nationalism and militarism. Globalization is not enough: Rising levels of foreign commerce did not prevent World War I, for instance. Yet investment and trade create important economic incentives for peace. They also put a human face on people who might otherwise seem to be the enemy. The result is a better environment in which to promote international harmony.

Like most human phenomena, globalization has ill as well as good effects. But the good predominate. In most ways for most people, globalization is a positive. By seeking to destroy this process, the Portland demonstrators would keep the world’s poor outside of the global economy. The more responsible strategy is to build moral restraints and social institutions to ensure that those with the fewest options are not left behind as the forces of globalization transform their lives and societies.

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