Handout 5.2 - Does Globalization Help the Poor?

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During the past few years, we have heard steady proclamations emanating from the advocates of economic globalization and leaders of the Bretton Woods institutions - the World Bank, the International Monetary Fund (IMF), the World Trade Organization (WTO), et. al. - that their deepest purpose in pushing economic globalization is to help the world's poor. More specifically, they contend that removing barriers to corporate trade and financial investments is the best path to growth, which they say offers the best chance to lift the poor from poverty.

They also assert that the millions of people who have visibly opposed the economic globalization model are harming the interests of the poor. Everyone should please back off and leave it to corporations, bankers and global bureaucracies to do the planning and solve the world's problems.

Such claims are routinely replayed in the media. One prominent national columnist, for example, says, "protesters are choking the only route out of poverty for the world's poor." In other words, if the protests would stop, the IMF, the World Bank, the WTO, Nike and Monsanto would save the day. Is this true? Are the interests of global corporations and bureaucracies really aimed at helping the poor? Or do these institutions have other primary motives?

WHO BENEFITS? So far, almost all of the evidence from the past three decades (1970-2000) - the period of economic globalization's most rapid ascendancy - shows that it is bringing exactly the opposite outcome that its advocates claim. The evidence now comes nearly as much from the proponents of globalization as its opposition.

Clearly, poverty and inequality are rapidly accelerating everywhere on earth. A 1999 report by the United Nations Development Program found that inequalities between rich and poor within and among countries are quickly expanding, and that the global trading and finance system is one of the primary causes.

Even the U.S. Central Intelligence Agency (CIA) confirms the United Nations' (UN) conclusions, agreeing that globalization brings massive inequalities. The benefits of globalization do not reach the poor, says the CIA, and the process inevitably brings increased global protest and chaos.

Robert Wade of the London School of Economics, wrote in The Economist (2001), "Global inequality is worsening rapidly...Technological change and financial liberalization result in a disproportionately fast increase in the number of households at the extreme rich end, without shrinking the distribution at the poor end...From 1988 to 1993, the share of the world income going to the poorest 10 percent of the world's population fell by over a quarter, whereas the share of the richest 10 percent rose by 8 percent."

The ideologies and rules of economic globalization - including free trade, deregulation, privatization, and structural adjustment - have destroyed the livelihoods of millions of people, often leaving them homeless, landless and hungry, while removing their access to even the most basic public services such as health and medical care, education, sanitation, fresh water, public transport, job training and the like. The record shows that economic globalization makes things worse for the poor, not better.

Economic globalization has only proved to be successful in making global corporations and a few elites wildly wealthy. For example, of the largest 100 economies in the world, 52 are now corporations. In what the UN describes as the "staggering concentration of wealth among the ultrawealthy," total wealth controlled by people with assets of at least $1 million nearly quadrupled from 1986 to 2000, from $7.2 trillion to $27 trillion. Even with the dot-com crash and the current global financial slump, Merrill Lynch predicts that wealth controlled by millionaires will continue to increase by 8 percent a year, reaching $40 trillion by 2005.

Contrary to its claims, wealth generated by globalization does not trickle down. Rather, the rules lock the wealth at the top, removing from governments and communities the very tools necessary to redistribute wealth, protect domestic industries, workers, social services, the environment, and sustainable livelihoods.

There are isolated instances where some improvement has been achieved among Third World countries, over short periods. The Bretton Woods institutions love to trumpet these examples. But the truth is that the benefits of this "growth" have been very short-lived. In any case, nearly all the benefits have gone to the elites in these countries, and the chief executives of the global corporations at the hub of the process; executives whose annual earnings are now astronomical, often in the tens or hundreds of millions of dollars. All figures show that these discrepancies between top executives and ordinary workers are rapidly growing.

Even among the so-called "poster children" of free trade, the "Asian Tigers" like Taiwan, South Korea, Singapore and Malaysia, improvement has not come by assiduously following the dictates of the Bretton Woods regimes - the IMF, World Bank, the WTO, etc. - but often by doing the opposite of what the institutions prescribe. By at first resisting the economic model pushed by Bretton Woods, some countries managed to stay free of the volatility of export markets. But when they finally succumbed to heavy pressures from the IMF and the World Bank, they found their glory days quickly disappearing into the infamous Asian financial crisis (1997-1998), rooted directly in the new rules of free trade for finance and global corporations.

Most poor countries, however, have not enjoyed much benefit from globalization. After three decades of heavy IMF and World Bank medicines and less than a decade of WTO policies, they have understood that globalization is selling a false promise. The policies of the Bretton Woods institutions are not designed to benefit them, but to benefit rich industrial countries and their global corporations. The question is this Do these globalizing institutions know what they're doing? Or do they just blindly follow a failed ideological model?

The worst case conclusion, which many now believe, is that the institutions surely do know what they're doing and always have. They have an assignment to remove all impediments to the free flow of global capital as it seeks to pry open the world's last natural resource pools, markets, and cheap labor (and, to keep it cheap). To suggest they do all this to help the poor is high cynicism.

THE CREATION OF POVERTY

Economic globalization policies as enforced by the World Bank, IMF, and the WTO actually have far more to do with creating poverty than solving it. Free trade requires that all countries adopt the same economic model, thus eliminating variations that might slow down the smooth global operations of major corporations as they seek new resources, markets and cheap labor. It is not efficient for global corporations when individual nations are permitted their own expressions of what is best for their people via their own democratic laws. These laws might be designed to protect resources and the environment; or social services for the poor; or the rights of local workers; or they might help struggling small businesses; or require foreign investors to keep their investment in place for a time; or require that foreign investors include domestic partners. All such laws are viewed as pesky impediments to corporate freedom. They have got to go.

The specific role of the WTO is to set homogenized global rules for all countries-one size fits all-and to specifically challenge national environmental and social laws viewed as obstacles to corporate free trade. Given that it was granted draconian enforcement powers, the WTO can now impose harsh punishments on democratic nations that stray from its rules. A past president of the WTO, Renato Ruggiero put it bluntly in 1998 The WTO will be "the new constitution for a global economy." (Since Seattle, such statements have not been repeated.)

STRUCTURAL ADJUSTMENT PROGRAMS

The World Bank and the IMF have their own powerful and dangerous instrument Structural Adjustment Programs (SAPs). The infamous SAPs of the IMF, and so-called "development" loans from the World Bank routinely come with harsh conditionalities that require developing nations to abandon important domestic programs that serve the population. These include education, health services and environmental programs, which don't produce revenues to repay IMF and World Bank loans or interest. As the IMF forces countries to downsize government agencies, the ranks of the unemployed grow faster than the private sector can absorb them. IMF policies raise interest rates, preventing small businesses from obtaining capital needed to expand or stay afloat, which leads to further unemployment. Meanwhile, removing barriers to foreign investment and trade, insisted upon by the IMF and enforced by the WTO, makes it harder for local producers to compete against bigger, richer foreign businesses.

This system leaves countries utterly dependent upon market and pricing systems over which they have no control. Meanwhile, they have given up the ability to determine their own destinies. The greatest mystery of course is how any of the promoters of such rules and conditions (among others) could possibly argue that these rules could help nations rise from poverty. Clearly, this is a blueprint for dependency and poverty creation.

EXPORT-ORIENTED AGRICULTURE

Probably the most traumatic impacts of globalization policies - both in terms of poverty-creation, and environmental devastation - have come with the forced shift of local economies away from small-scale diversified agricultural models to the industrial export model, directed by global corporations.

Nearly half of the world population, even today, lives directly on the land, growing food for their families and communities. They emphasize growing staples and a mix of diverse crops, and they replant with indigenous seed varieties that their communities have developed over centuries. They have perfected their own fertilizers, crop rotations, and pesticide management, and their communities share all elements of the local commons, including seeds, water, and labor. Such systems have kept hundreds of millions of people going for millennia.

Local self-sufficiency systems are anathema to global corporations and the bureaucracies that serve them. In a global economic system, corporate profits primarily come from increased processing activity, and global trading. So now we find corporations including Archer Daniels Midland, Monsanto, and Cargill, among others, spending tens of millions of dollars in public relations and advertising campaigns arguing that small farmers are not "productive" enough to "feed the hungry world."

These campaigns run hand in hand with the investment and trade strategies and rules of the WTO, the IMF, the World Bank and the U. S. government. All of these strongly favor the entry of global corporations, which replaces local, diverse farming for self-reliance with monocultures run by corporations.

An export-oriented system of agriculture favors high priced, high margin luxury export items - flowers, potted plants, beef, shrimp, cotton, coffee, exotic vegetables - to be sent to the already overfed countries. As for the people who used to live on the lands, growing their own foods for their communities and for local markets, they are rapidly being driven off their lands. People who once fed themselves become landless, jobless, cashless, homeless, dependent and hungry. Self-sustaining communities disappear; still intact cultures are decimated. This is as true in the United States as in the Third World.

The situation is absurd. Dependency and starvation replace self-sufficient livelihoods and self-reliant nations; meanwhile global corporations get wealthy by shipping luxury foods thousands of miles. Clearly, these corporations are not concerned about feeding the hungry. That is only an advertising slogan. They are concerned about feeding themselves.

THE ROOT OF THE PROBLEM: A FAILED IDEOLOGY

The IMF, World Bank and the WTO are pursuing what some have labeled "market fundamentalism," an ideological commitment to two basic false principles:

* Economic growth and increased trade achieved through deregulation and privatization automatically increases the wealth of communities and humanity, and contributes toward a better future for all. In other words, what benefits corporations benefits all.

* Increased foreign investment in Third World countries increases productive capacities and development, adding to the well being of the poor. Neither of these has proved true. What is true is that the system has added to the well being of the corporations that have perpetuated it.

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Most measures of "economic growth" such as Gross Domestic Product (GDP) and Gross National Product (GNP) tend only to measure increases in the market value of economic production, i. e., the rate at which resources are converted to commodities, and that other paid services and activities are performed. By such standards of measurement, expansion of military hardware, prisons, wars, crime (and its prevention), as well as the clear-cutting of forests, or building of toxic dumpsites are all made to seem positive as they increase GNP and GDP. Meanwhile, unpaid household labor, care for the sick and elderly, or self-sufficient food growing and distribution are not deemed positive results because they don't get counted.

Such standards also contribute to the depletion of social and natural capital (nature) which, as former World Bank economist Herman Daly has suggested, is the foundation of all real wealth. In fact, export-driven globalization is the greatest single contributor to the massive ecological crises of our time. Its emphasis on exponentially increased trade and transport activity requires corresponding expansion of infrastructures - airports, seaports, roads, rail-lines, pipelines, dams, electric grids; many of these in pristine places, often on indigenous lands. Increased transport also uses drastically increased fossil fuels adding to the problems of climate change, ozone depletion, and ocean and air pollution. And an ever expanding economy requires the depletion of the last resources on the planet; under free trade these are nearly always located in the global South. One of the greatest injustices against southern countries is that they are net resource exporters to the already rich North.

Indeed ecological degradation-forests, rivers, biodiversity-has the most devastating impact on the poor; and resource depletion reduces livelihoods and creates poverty. So economic growth is certainly not a measurement that benefits the poorest parts of the world. In any case, depleting nature cannot serve anyone for much longer, even the rich, who may be, as the late British financier James Goldsmith put it - "enjoying champagne on the deck of the Titanic."

One can only conclude from this that the present system is fundamentally flawed, and cannot be corrected by reforms at the margin. It must be changed to a very different system, based on values and institutional relationships that place human beings and nature above percentage returns on investment.

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(http://www.thirdworldtraveler.com/Globalization/DoesGlobaliz_HelpPoor.html)