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Why isn't globalization as good for people as its marketed image suggests it is?

FILSON H. GLANZ

PROFESSOR EMERITUS OF ELECTRICAL AND COMPUTER ENGINEERING

I. Introduction—My point of view

I have for about 50 years believed in allowing trade without restriction, without tariffs, without quotas. But I have come to see that special interests have corrupted the ideal concept of globalization (free trade) for their own benefit, and we through our government have let this happen. However, there are certainly business people who attempt to conduct their global business in the spirit of true globalization.

II. The Ideal/Theory/Rhetoric

A. *What is Good about Globalization*

Globalization can—but does not always—raise the standard of living of people in third world countries—a very good thing for everyone in the world when it works correctly. Third world workers may make very low wages and work long hours, but they have a paying job, and they can better their lives. And since wages are low, developed countries will have production done there. This leads to an influx of money into the less developed countries resulting eventually in a higher standard of living.

Another result is that as standard of living increases, people tend to have fewer children and that could potentially keep the world population from growing as fast as it now is. This would be a good thing for the world since it MIGHT allow the world to achieve a sustainable lifestyle. [See Section III-1]

B. *Other Aspects of Globalization that are (probably) Positive*

You will hear or read that globalization allows people and economies to focus on what they do well; that global markets offer opportunity; that communications allow greater interaction which speeds globalization; that financial markets have been integrated due to electronic communications and computers; that skills are transferred to developing countries, which leads to transfer of production skills and technological innovation to the third world; that advanced nations can contribute to low-income countries by promoting trade, encouraging capital flow, and supplying debt relief.[1]

There are other positive aspects of globalization according to the theory. Do a Google search! But I am compelled to point out the Reality of globalization.

III. The Reality

The Reality is not much like the theory or rhetoric given by the pushers of globalization. It is clear to me that economics, trade treaties, etc. should be tools used in making life on earth for all living beings (human and otherwise) a stable, long term endeavor and not just a “flash in the pan.”

A. *Corporate Advantages*

Corporations (multinationals, transnationals) use their influence to stack cards in their favor when these treaties are being drawn up and the Administration puts great pressure on Congress to pass the treaties.[2] Not all corporations do this but it is not just “one bad apple” either!

The CAFTA (Central American Free Trade Agreement) being considered now has rights for multinationals to avoid laws, to be “protected” from environmental, labor, health, or other regulations, and court cases are in locked-door sessions - not open to the public. Trade agreements also have protections for private foreign investors in order to encourage investment in economic growth. These rules mean that governments cannot favor domestic interests even if doing so would support social goals or other national interests.

CAFTA includes “investor rights” provisions that would make it possible for foreign corporations to sue for monetary damages if laws adopted at any level of government eat into their profits. Under a similar provision of NAFTA (North American Free Trade Agreement), the U.S.-based Ethyl Corporation won \$13 million in damages when Canada outlawed use of MMT, a gasoline additive. As part of the settlement, Canada also overturned its ban on the chemical, which was known to be a neuro-toxin. Laws and regulations to promote public health, human rights and environmental protection would all be at risk.[3]

A “Foreign Policy in Focus” report by Aldo Caliarì finds that investor protection provisions in CAFTA

would make it more difficult for developing countries to create the groundwork to move out of debt. Buried in the technical language of the CAFTA agreement are rules that would make it more difficult for the six [Central American] nations that have signed the trade deal with the United States to escape heavy debt burdens or to prevent or recover from debt crises. [4] This is strikingly similar to the story given by Joseph E. Stiglitz, a Nobel prize winner in economics, who derides the IMF (International Monetary Fund) for years of driving third world countries into debt on the basis of unreasonable rules and lack of understanding of the dynamics of third world economics.[5]

To see how this happens, read *Confessions of an Economic Hit Man* [6] in which the author describes how he was hired by the CIA to inflate market potential in third world countries and as a result would drive them to be indebted to the developed world.

There are fears that CAFTA would flood (“dump”) Central America’s markets with products of U.S. agribusiness, much of which is still heavily subsidized. According to Oxfam, U.S. corn exports to Central America would increase by 10,000 percent in the first year. The region’s small farmers, who make up the majority of the population, have their eyes on Mexico, where 1.7 million farmers lost their land in the first 10 years after NAFTA went into effect. Many of those became illegal immigrants to the US as a result.

B. Lack of “Transparency”

Many aspects of trade treaties are not open to the public (not transparent). The treaties are often drafted with no public input. The text (at least some of it) for CAFTA has been kept hidden until agreements have been reached.

Lack of public discussion and real knowledge makes these treaties subject to pressure from special interests. And the US Congress has given the President “Fast Track” authority to make agreements without consulting Congress or informing the public.

C. Corporate Power from Corporate Personhood

The power that corporations possesses has come from a number of inconceivable rulings by various US courts. The following quote gives the basic idea:

“A U.S. Supreme Court ruling in 1886 ... arguably set the stage for the full-scale development of the culture of capitalism, by handing to corporations the right to use their economic power in a way they never had before. **Relying on the Fourteenth Amendment, added to the Constitution**

in 1868 to protect the rights of freed slaves, the Court ruled that a private corporation is a natural person under the U.S. Constitution, and consequently has the same rights and protection extended to persons by the Bill of Rights, including the right to free speech. Thus corporations were given the same ‘rights’ to influence the government in their own interests as were extended to individual citizens, paving the way for corporations to use their wealth to dominate public thought and discourse. The debates in the United States in the 1990s over campaign finance reform, in which corporate bodies can “donate” millions of dollars to political candidates, stem from this ruling although rarely if ever is that mentioned. Thus, corporations, as ‘persons,’ were free to lobby legislatures, use the mass media, establish educational institutions such as many business schools founded by corporate leaders in the early twentieth century, found charitable organizations to convince the public of their lofty intent, and in general construct an image that they believed would be in their best interests. All of this in the interest of ‘free speech.’” [7]

Corporations often contribute to the problems with globalization because of special advantages they receive from “corporate personhood” and from other biases in their favor including tax breaks, subsidies, and support from the wealthy and powerful.

D. Selling the “Commons”

Trade agreements and other international entities are biased in order to put Public Goods [also called The Commons] into private hands for profit: water, education, air, roads, bridges, healthcare, etc.

There has been much written about privatization of water in Bolivia and other places. There are many cases of this including a local NH situation in which USA Springs, Incorporated in NH but with a European investor, is planning to pump hundreds of thousands of gallons a day from the bedrock in the Barrington/ Nottingham area to be bottled and shipped to Rome. There are valid questions about the amount of water in the bedrock, but from a globalization point of view the issue is about the trade laws. The precedent set when one foreign corporation is allowed to privatize water is worrisome, because other foreign companies could then demand the same right under the trade laws. This would overrule local laws and desires for a “common” of the

people - the right to water. There are many examples of this kind of problem.

E. Rapid Movement of Diseases, Invasive Species, Weapons, Toxics!

Invasive species moving into new areas of the world are getting to be a big problem. They disrupt the local ecosystem. But weapons spread as a result of globalization is a major problem that leads to terrorism, loss of life and limb due to indiscriminate use of land mines (the US government refused to sign on to a resolution to ban these mines!). And shoulder fired anti-aircraft missile launchers are a constant threat around the world because of this issue.[8]

F. Social/Human Costs

Corporations had the potential, from the onset, to become very powerful. Even Abraham Lincoln recognized this:

“I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. ... corporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed.” [9]

Another social cost is the effect of homogenizing the world's peoples, leading to a sameness that is disturbing to those who have an admiration for the many world cultures, each with a different garb, different ways of doing common things, and different arts, crafts, and manual skills. But the loss is more than superficial.

Jeremy Rifkin, a prominent critic of globalization, writes that:

“The powers that be have long believed that the world is divided into two spheres of influence: commerce and government. Now organizations representing the cultural sphere—the environment, species preservation, rural life, health, food and cuisine, religion, human rights, the family, women's issues, ethnic heritage, the arts and other quality-of-life issues—are pounding on the doors at world economic and political forums and demanding a place at the table. They represent the birth of a new ‘civil-society politics’ and an antidote to the forces pushing for globalization.” [10]

G. Technology Issues

The US regularly transfers technology to its outsourcing partners and even trains them in how to manufacture and design the products. This, of course, is like giving

away US jobs and knowledge besides giving away the right to manufacture the products.

The advances in global communication, the internet, and similar technologies have both positive and negative effects on globalization. Engineers and managers can easily communicate with far corners of the world to modify orders or designs in a short time. Data can be passed back and forth about production and quality control. Globalization as we know it today would not be possible without these technologies.

But this easy transfer of information means that ideas can be stolen, data and communications can be disrupted by hackers or otherwise, and fake information can further cause troubles. Spam can reduce the throughput of communications by the internet. As with any technology there are upsides and downsides.

H. Environmental Costs

In May 2002, the United Nations Environment Program (UNEP) released an extensive report saying “there was a growing gap between the efforts to reduce the impact of business and industry on nature and the worsening state of the planet” and that “this gap is due to the fact that only a small number of companies in each industry are actively integrating social and environmental factors into business decisions.” [11] The attitude of some corporations on the environment is putting us all at risk. I can name names.

I. Human Survival

A big question from my point of view is the relationship among four phenomena which the world and the US in particular will be forced to deal with in your lifetime:

1. **Globalization**, which we have been talking about.
2. **Peak Oil**, the time when the production of oil worldwide reaches its maximum after which it slowly decreases until for practical purposes we reach the **End of Oil**.
3. **Living Sustainably**, the necessity of living within the resource and environmental limits of the planet earth. Many people speculate that the world population is overusing the resources available, and there is evidence that the world is using 20% more renewable resources than can be regenerated each year.[12] The precautionary principle would say to try and keep our usage under control.
4. **World Steady-State Population**, the maximum population which the world reaches. Of course, the larger that is the lower the standard-of-living will be on av-

erage due to resource limits. So keeping world population lower rather than higher is desirable (except to the totally commerce-driven who want more people to sell to!).

Globalization properly done leads to increased income for third world people and therefore should lead eventually to lower family size which leads to smaller **world steady-state population**, which in turn could lead to a higher chance the world will **live sustainably**. **Peak Oil** and the **End of Oil** relate because oil (energy) is a very important resource for our current standard-of-living. Since we are NOW at **Peak Oil** - plus or minus a handful of years, the world does not have all that much time for this all to be worked out (in my view!). And even if the energy problem is worked out in some way, as the population grows there are other resources in short supply such as water, agricultural soil, forests.

As the cost of oil goes up, so will the cost of transporting all the goods and resources from wealthy to poor countries and back again. This cost tends to balance out the advantages of lower wages in the developing countries. There are consequences of this fact.

Notes and References:

[1] This URL is a good place to start your own reading (or do a Google search):
<http://www.globalissues.org/TradeRelated/FreeTrade/Criticisms.asp#SimplisticIdeologyRhetoricversusReality>

[2] <http://www.citizen.org/trade/cafta/>

[3] Some of the above was adapted from communication from Arnie Alpert, New Hampshire coordinator for the American Friends Service Committee, recently returned from his eighth trip to Central America.

[4] <http://www.fpi.org/papers/0506cafta.html>

[5] Joseph E. Stiglitz, *Globalization and Its Discontents*, W.W. Norton, New York, 2003.

[6] John Perkins, *Confessions of an Economic Hit Man*, Berrett-Koehler Publishers, S.F., CA, 2004.

[7] Richard Robbins, *Global Problems and the Culture of Capitalism*, Allyn and Bacon, 1999, p.100
(Bold Emphasis Added)

[8] Christian Science Monitor, Thursday May 19, 2005, p. 2.

[9] U.S. President Abraham Lincoln, Nov. 21, 1864 (letter to Col. William F. Elkins) Ref: *The Lincoln Encyclopedia*, Archer H. Shaw (Macmillan, 1950, NY)

[10] globalization101.org/issue/culture/intro.asp

[11] The actual quote is from a U.N. News Centre article, 15 May 2002 that introduces the report.

[12] http://www.pnas.org/cgi/content/full/99/14/9266?maxtoshow=&HITS=10&hits=10&RESULTFORMAT=&fulltext=Wackernagel&searchid=1120950184545_11667&stored_search=&FIRSTINDEX=0&journalcode=pnas