

Ethical Development Examining the Social Impact of Globalization

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Mount Saint Mary's College

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www.business.duq.edu/faculty/davies

Globalization: Who Benefits?

Part of what makes the globalization debate heated is that both protectionist and globalist positions are logically consistent. However, each proceeds from a different underlying assumption.

Protectionist Assumption:

Globalization leads to a centralization of political power, decreased competition, and the concentration of wealth.

Globalist Assumption:

Globalization leads to a decentralization of political power, increased competition, and the dissemination of wealth.

Per-Capita Income

Examining the Evidence

Per-capita income

Income distribution

Life expectancy

Infant mortality

Caloric intake

Protein intake

CO2 emissions

Deforestation

Gender equality

Child labor

Economic freedom

Human development

Per-Capita Income (Lower Middle, and Low Income)

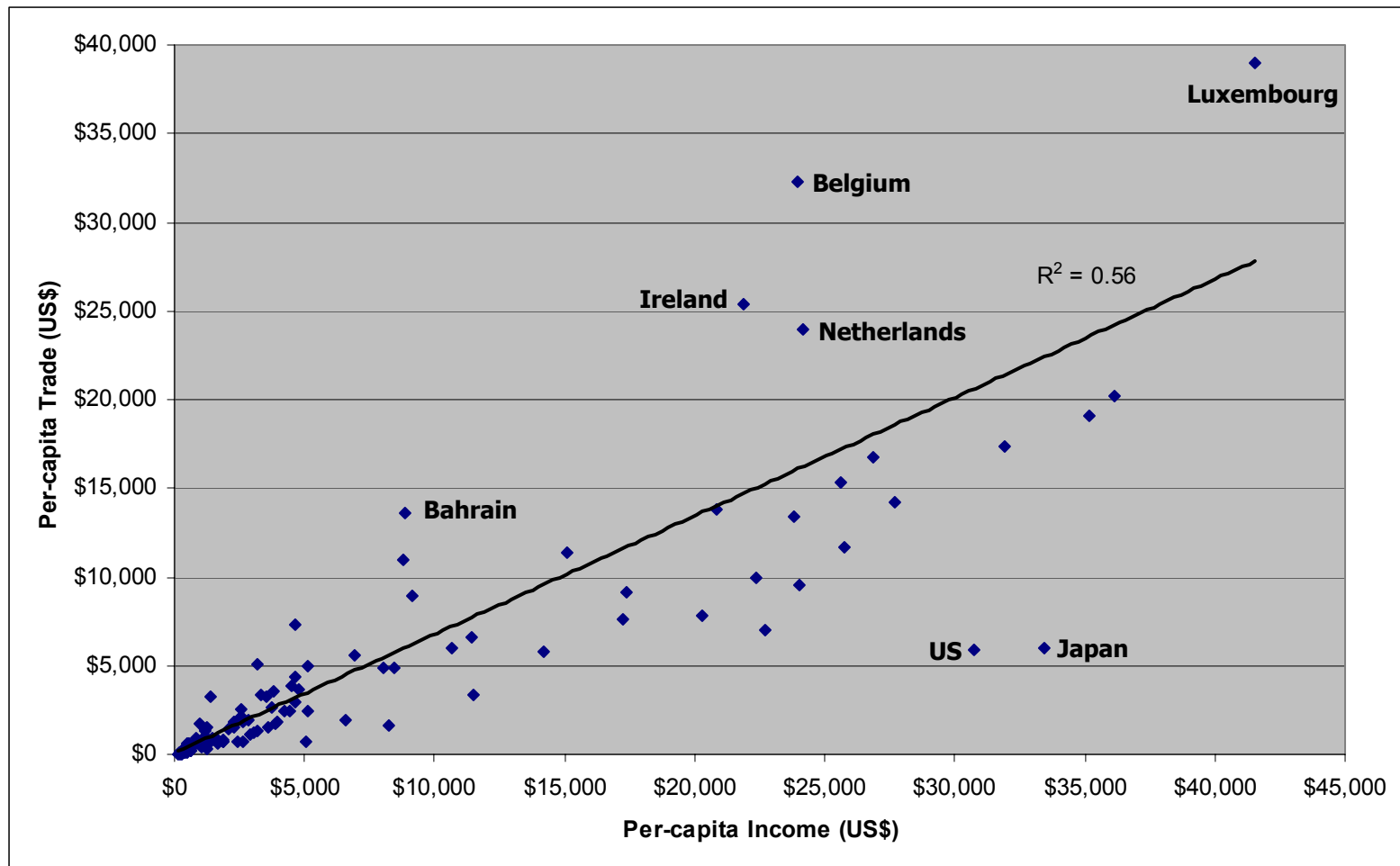
Protectionist argument:

Globalization shifts wealth from developing and under-developed countries to developed countries.

Globalist argument:

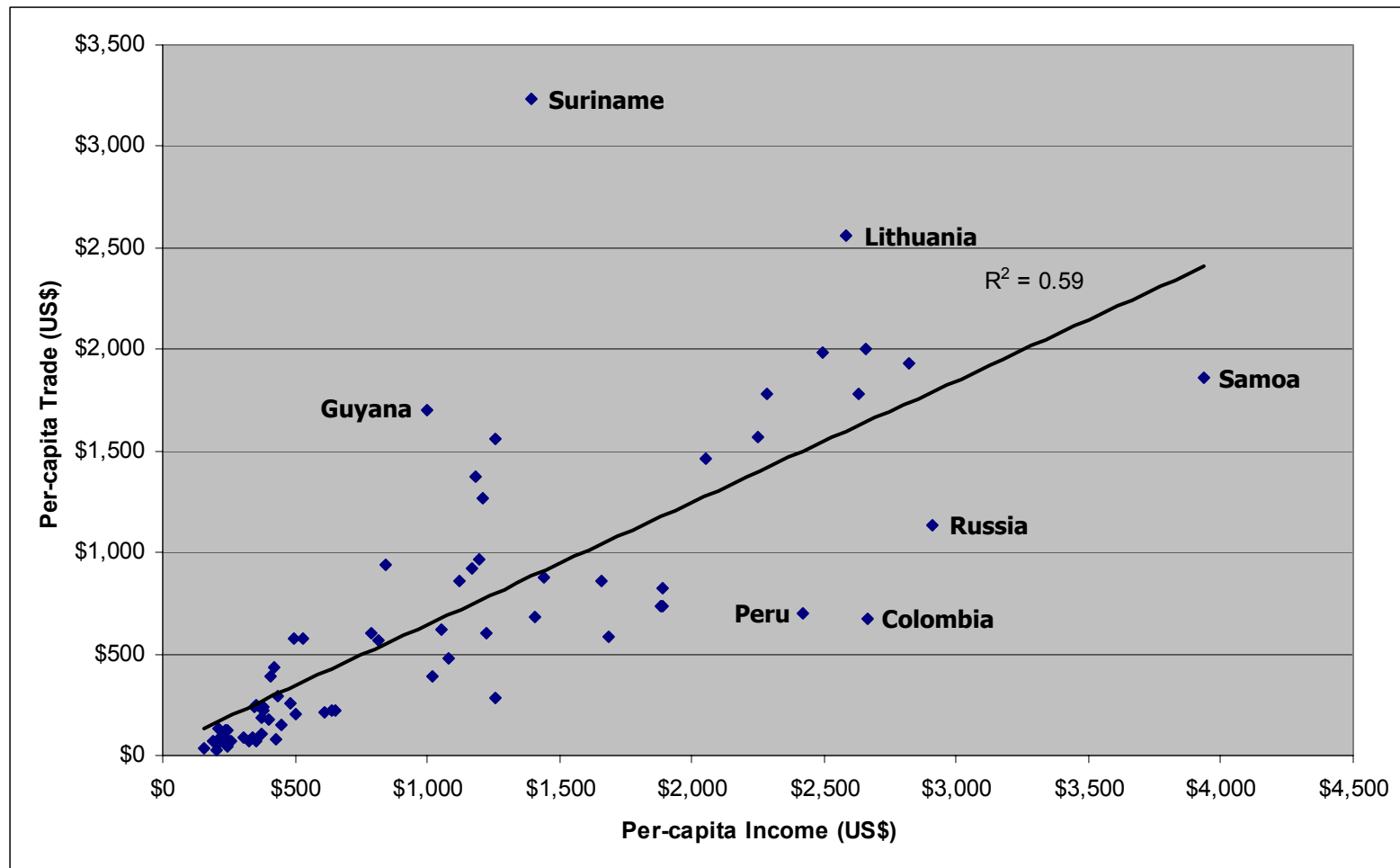
Globalization promotes competition which (1) results in more jobs as workers are hired to produce export goods, and (2) more available goods as currency earned via exports enables consumers to import more goods.

Per-Capita Income



Source: *International Financial Statistics*, International Monetary Fund, December 2001

Per-Capita Income (Lower Middle, and Low Income)



Source: *International Financial Statistics*, International Monetary Fund, December 2001

Per-Capita Income

Example:

Affiliates of US multinational firms pay a wage premium that ranges from 40% in high-income countries to 100% in low-income countries.

Workers in foreign-owned apparel and footwear factories in Vietnam rank in the top 20% of wage earners.

In 2000 at Nike factories abroad, annual wages were \$670 compared with an average minimum wage of \$134. In Indonesia, annual wages were \$720 compared with an average annual minimum wage of \$241.

In Mexico, firms that exported half of their product paid wages that were, at the low end, 11% higher than wages of non-export oriented firms. Firms that exported most or all of their product paid wages from 58% to 67% higher than wages of non-export oriented firms.

Source: Brown, Drusilla K., Alan V. Deardorff, and Robert M. Stern, "The Effects of Multinational Production on Wages and Working Conditions in Developing Countries," discussion paper no. 483, School of Public Policy, The University of Michigan, August 2002.

Income Distribution

Protectionist argument:

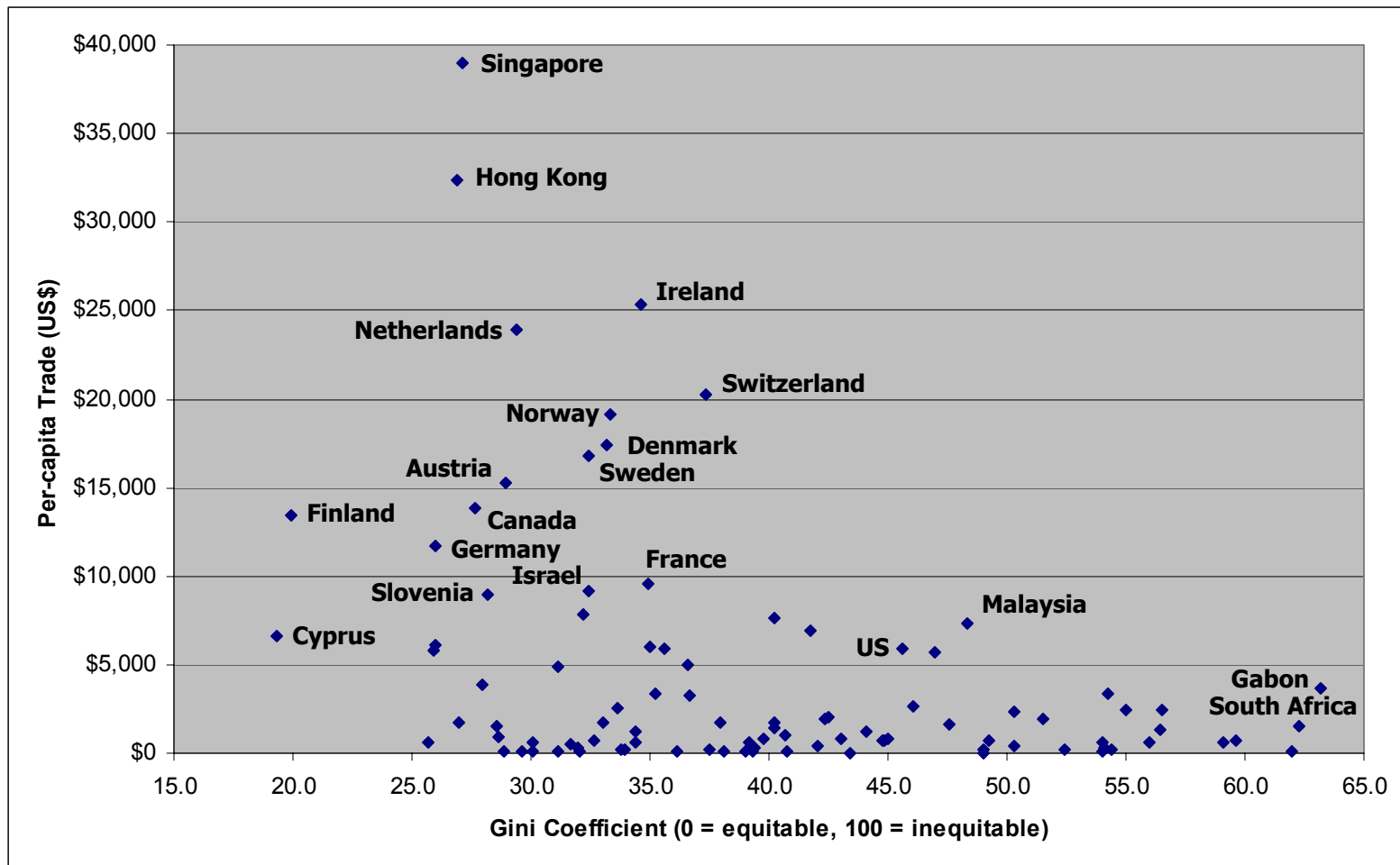
Globalization results in a concentration of income so that the few benefit disproportionately to the many.

Globalist argument:

More globalization implies greater opportunities: (1) producers see more opportunity to sell on new export markets, and (2) buyers are able to purchase at lower prices on new import markets.

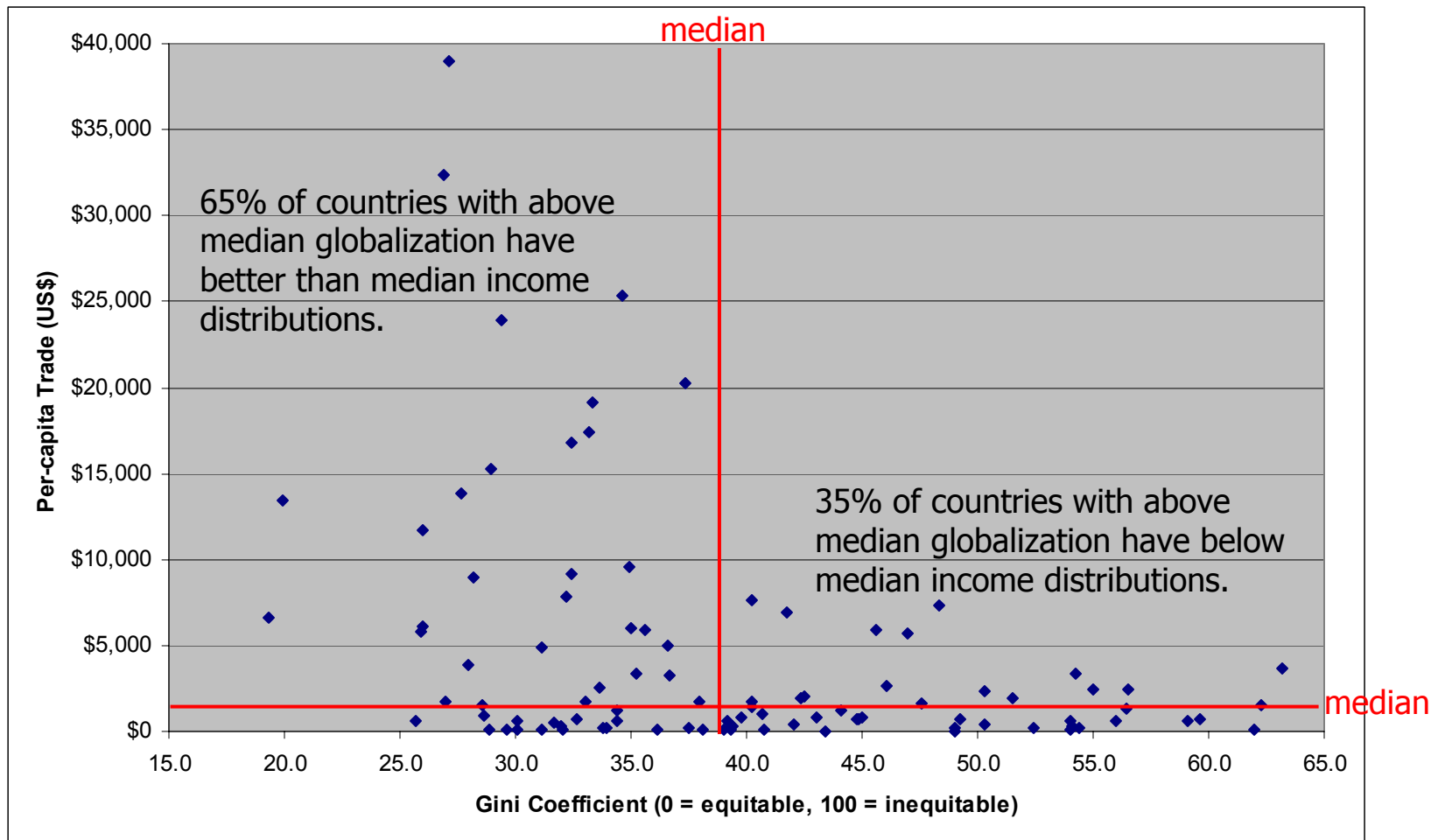
Greater opportunities implies better environment for entrepreneurship. More entrepreneurship flattens the income distribution by (1) providing a return to the entrepreneur, and (2) creating new jobs.

Income Distribution



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *Measuring Income Inequality: A New Database*, Deininger, Klaus, and Lyn Squire, World Bank, 2002

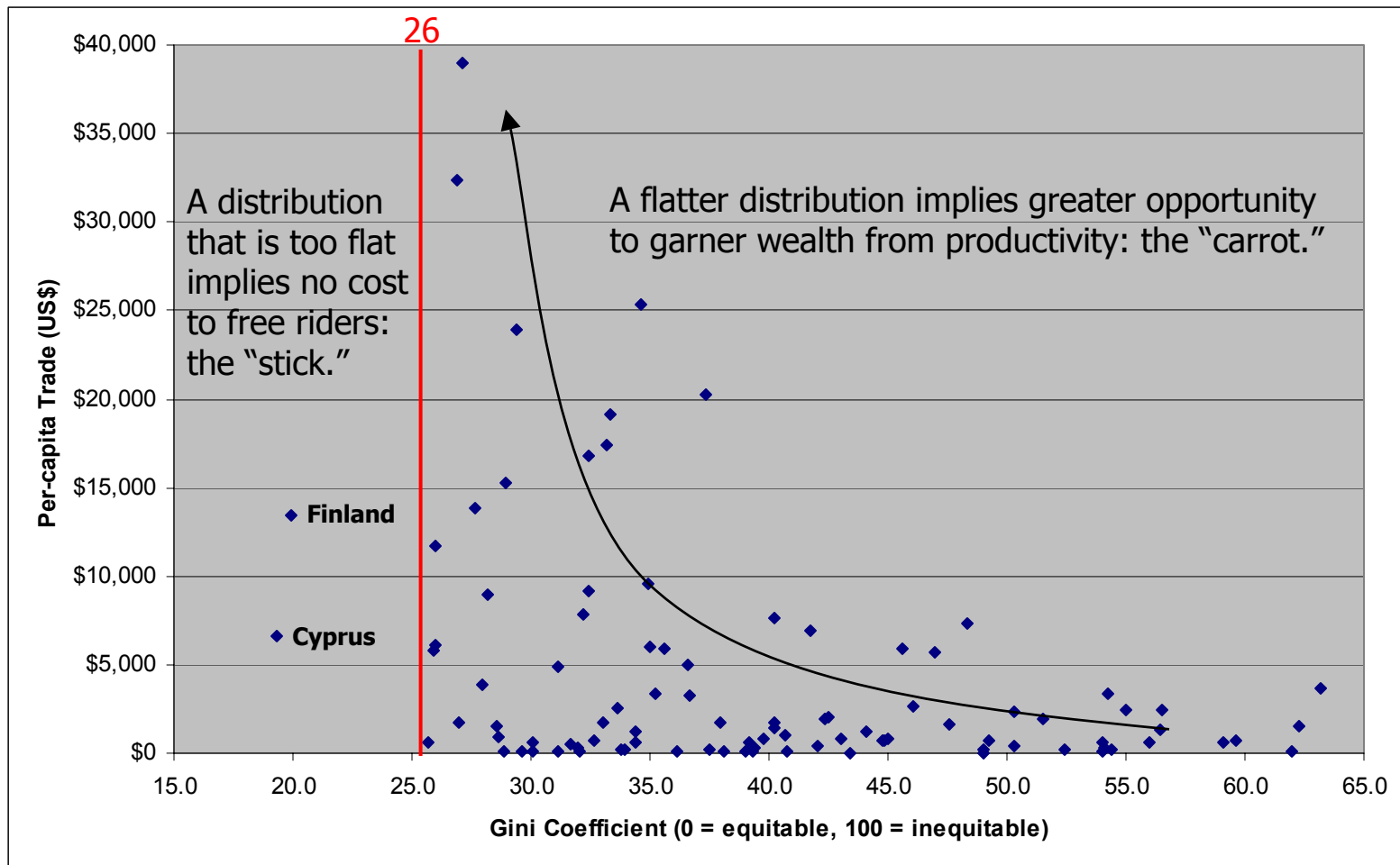
Income Distribution



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *Measuring Income Inequality: A New Database*, Deininger, Klaus, and Lyn Squire, World Bank, 2002

Income Distribution

With only two exceptions, there appears to be a lower bound on the Gini coefficient...



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *Measuring Income Inequality: A New Database*, Deininger, Klaus, and Lyn Squire, World Bank, 2002

Health (life expectancy, infant mortality, food intake)

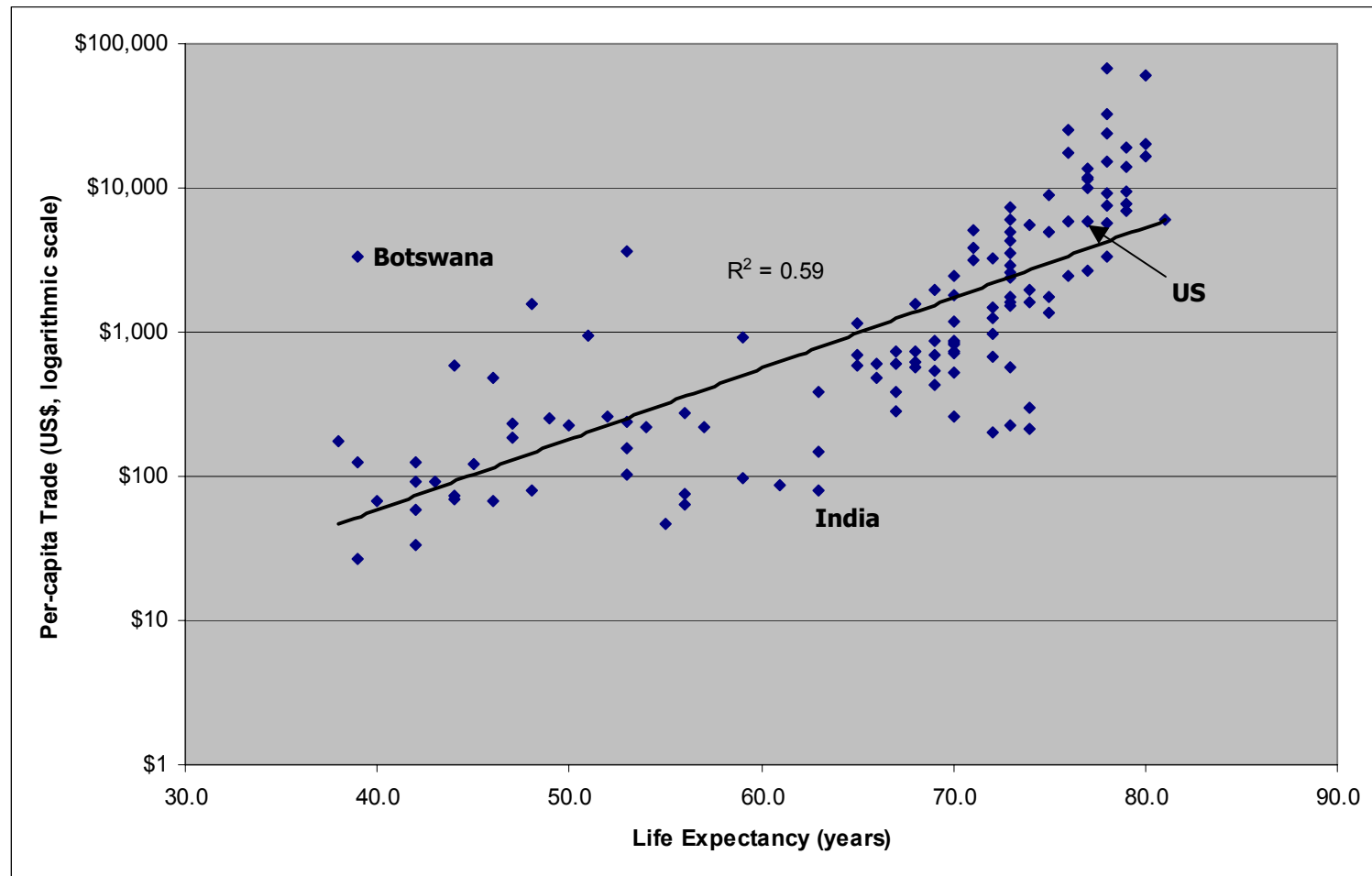
Protectionist argument:

Increases in life expectancy, decreases in infant mortality, better nutrition accrue mostly to developed countries. Globalization causes a reduction in health measures for lesser developed countries.

Globalist argument:

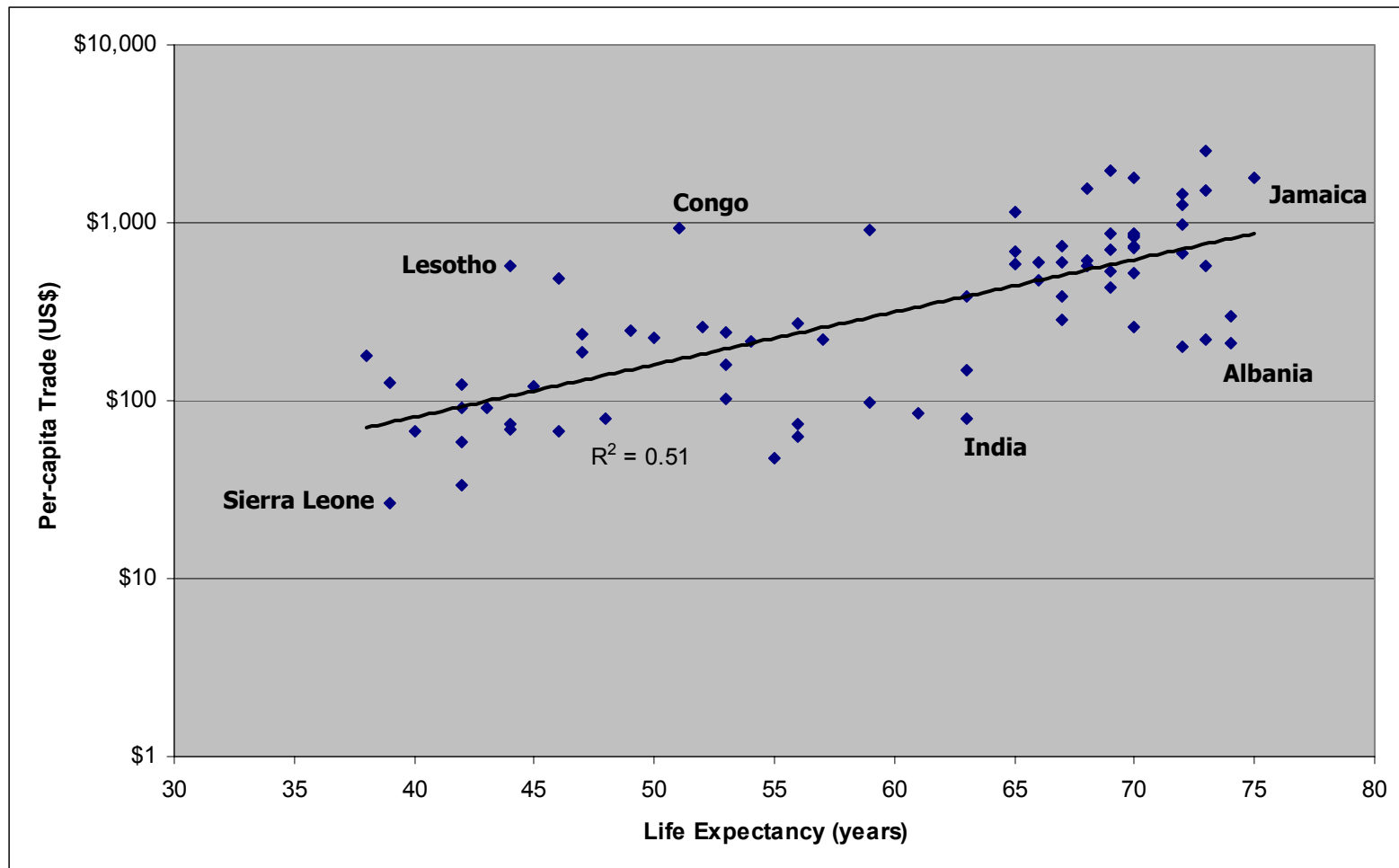
The increased income that results from globalization enables lesser developed nations to afford the goods and medicines.

Life Expectancy



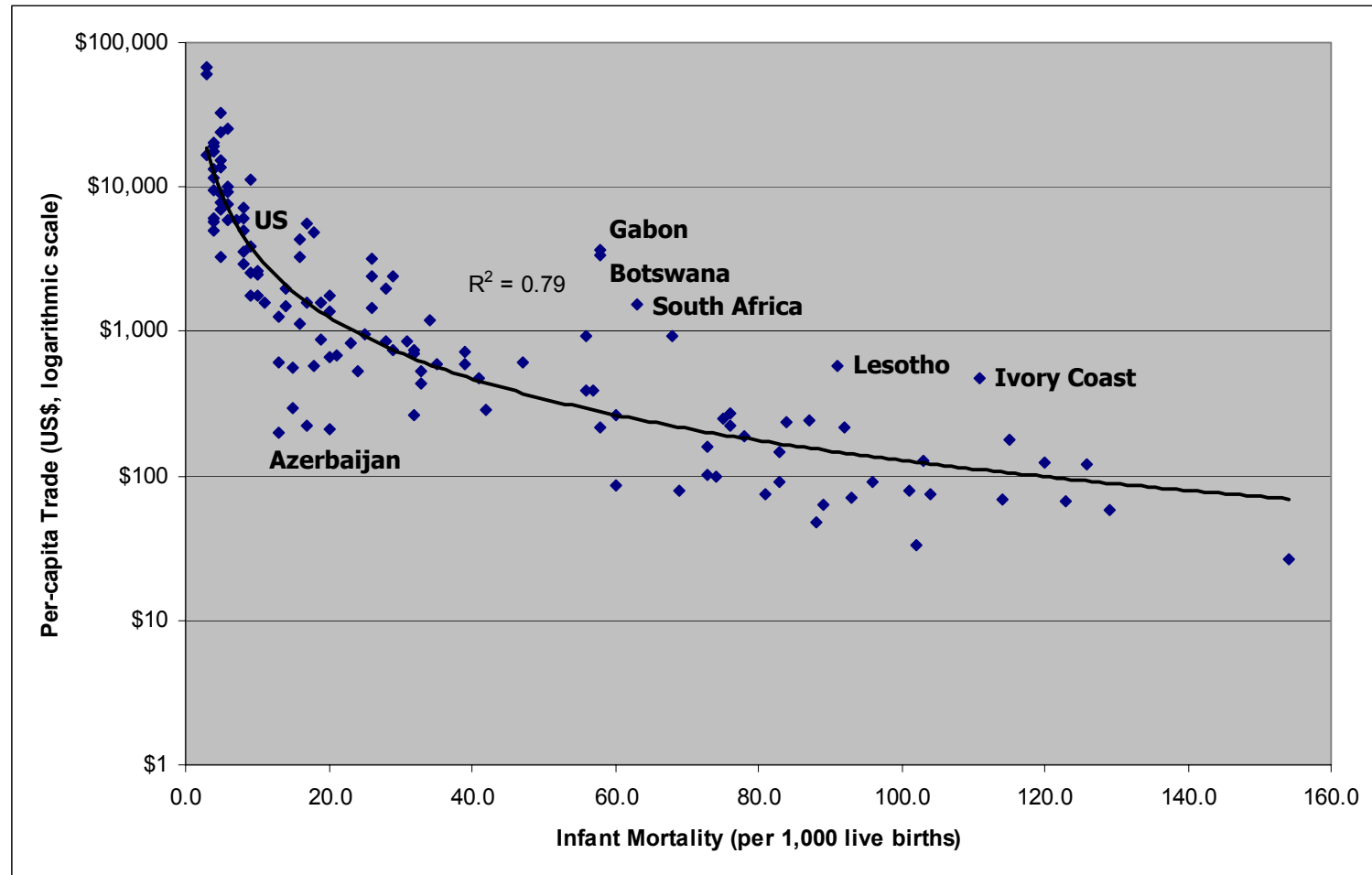
Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *World Development Indicators*, World Bank, 2002

Life Expectancy (Low Middle, and Low Income)



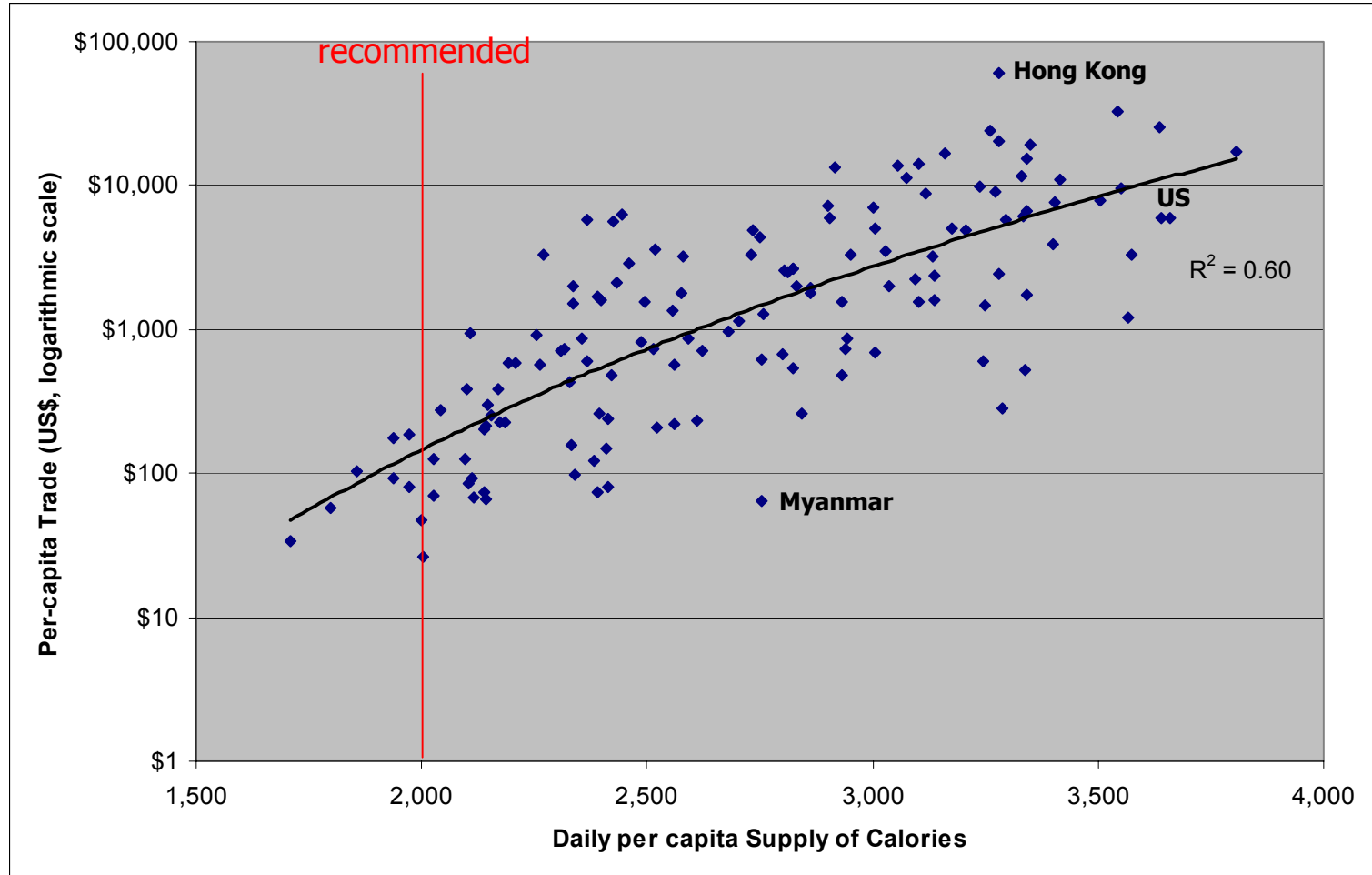
Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *World Development Indicators*, World Bank, 2002

Infant Mortality



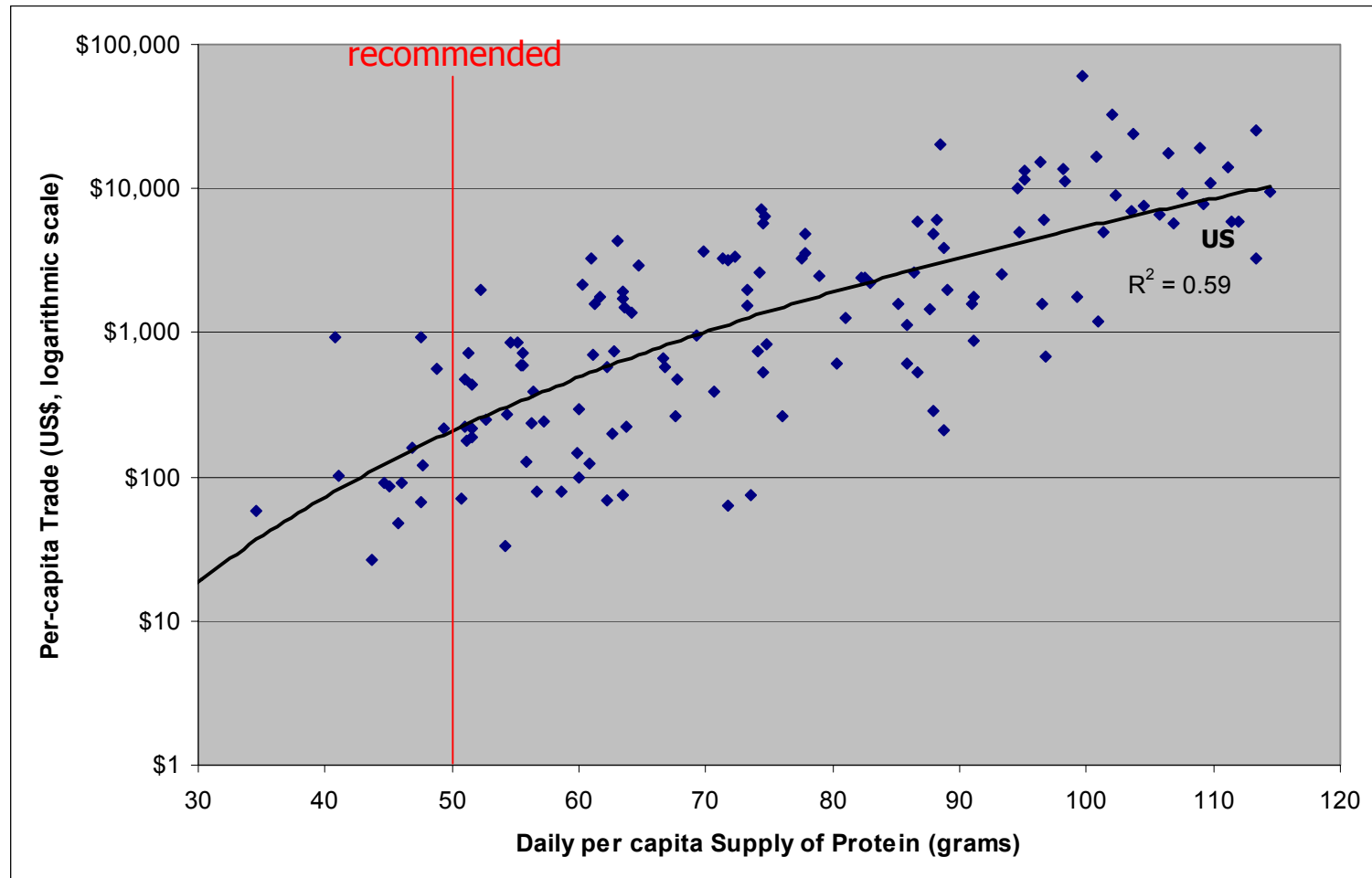
Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *World Development Indicators*, World Bank, 2002

Caloric Intake



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *World Development Indicators*, World Bank, 2002

Protein Intake



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *World Development Indicators*, World Bank, 2002

Environment

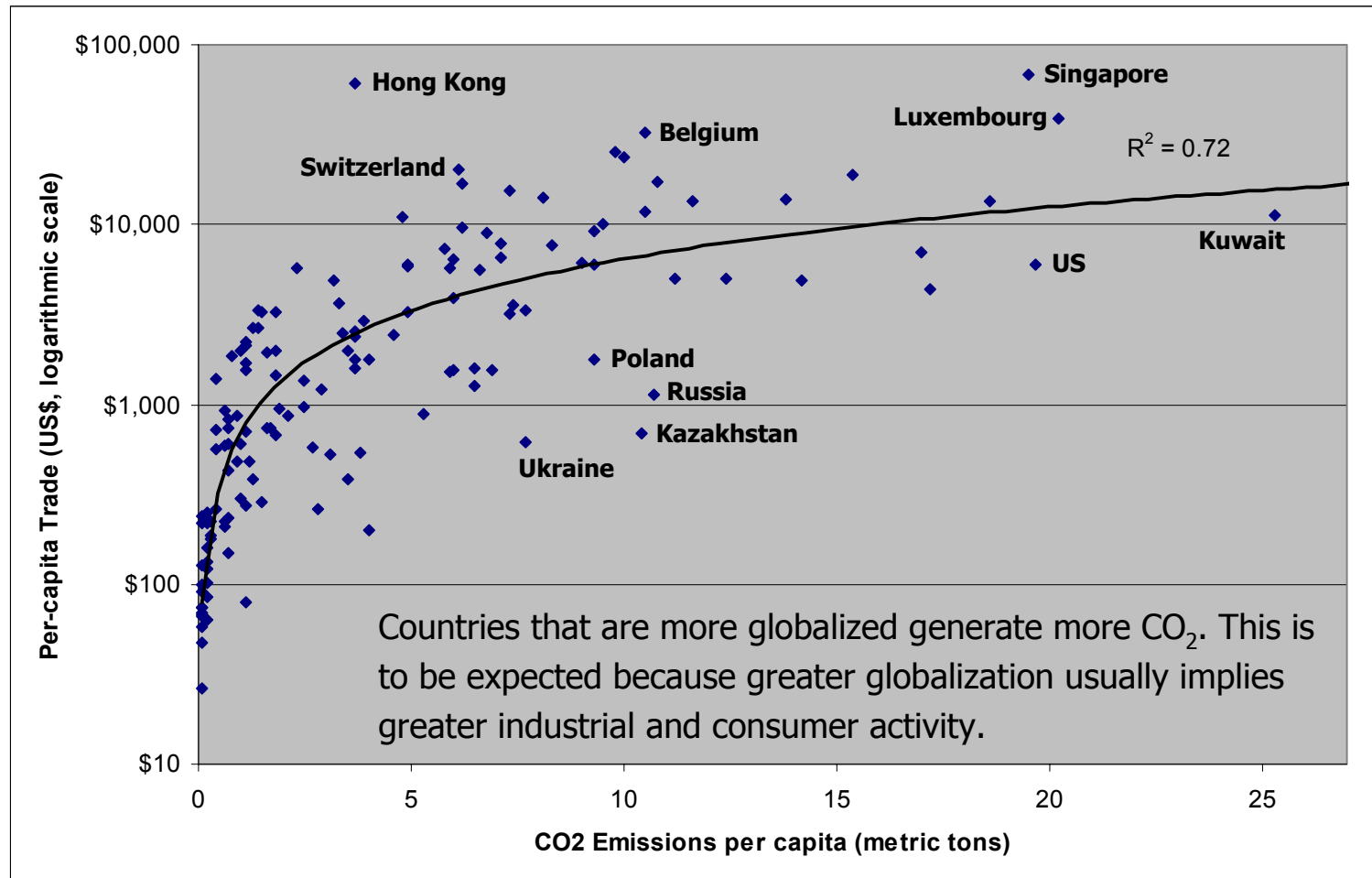
Protectionist argument:

Globalization exploits the environment.

Globalist argument:

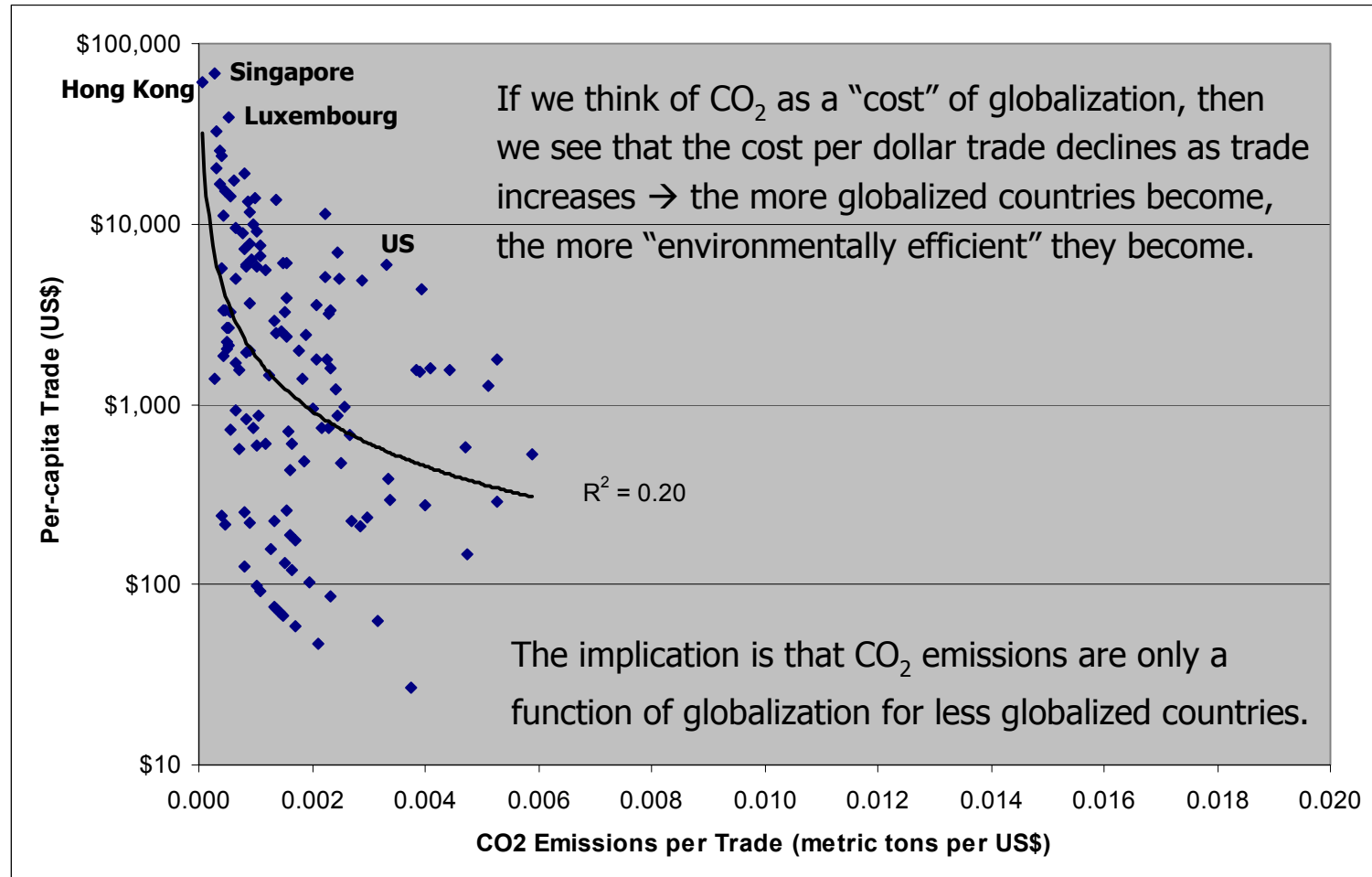
Globalization allows the world to correctly value its resources and, as a result, reward those who preserve those resources.

CO₂ Emissions



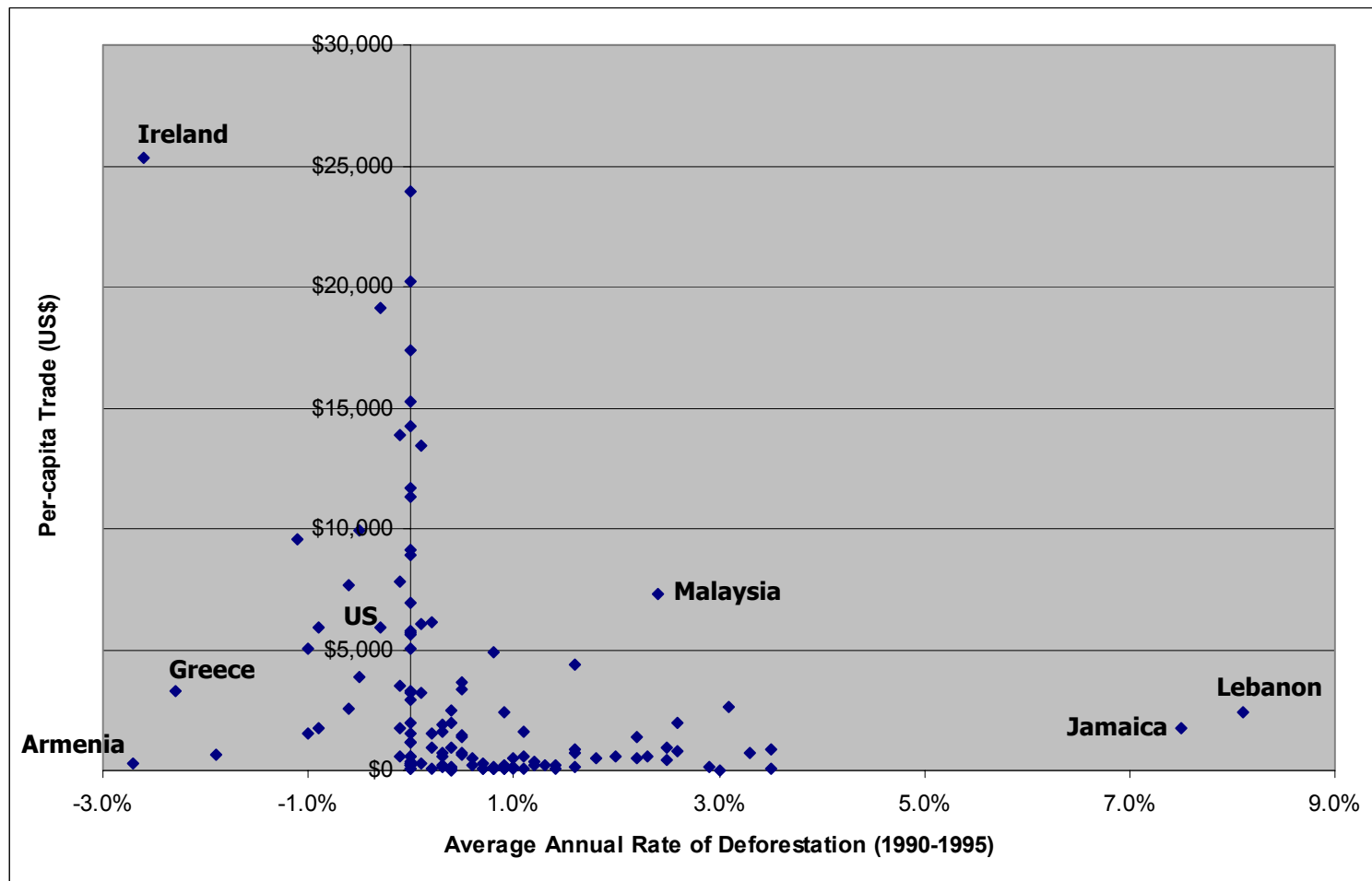
Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *World Development Indicators*, World Bank, 2002

CO₂ Emissions per Dollar Trade (excluding outliers)



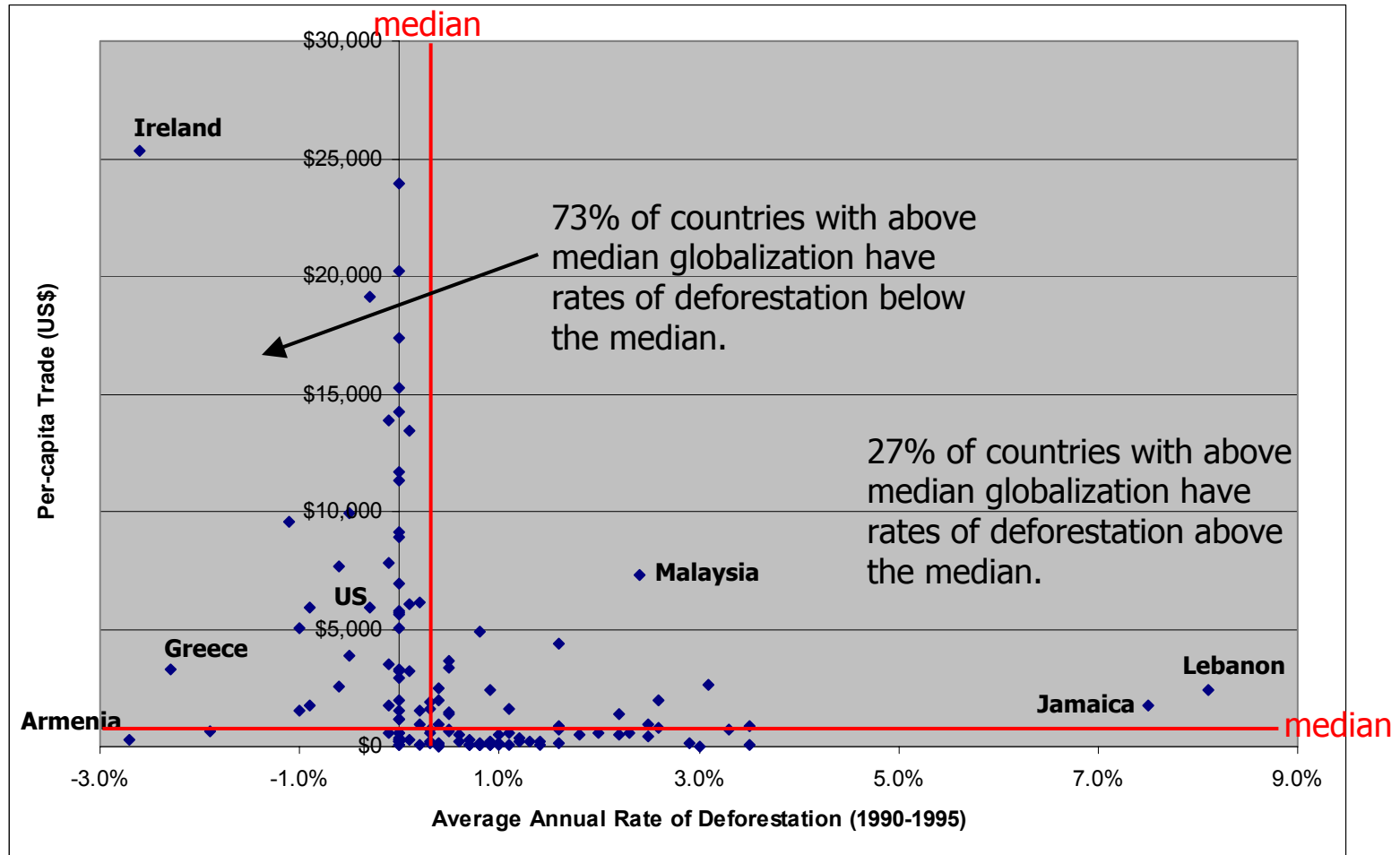
Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *World Development Indicators*, World Bank, 2002

Deforestation



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *World Development Indicators*, World Bank, 2002

Deforestation



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *World Development Indicators*, World Bank, 2002

Gender Equality

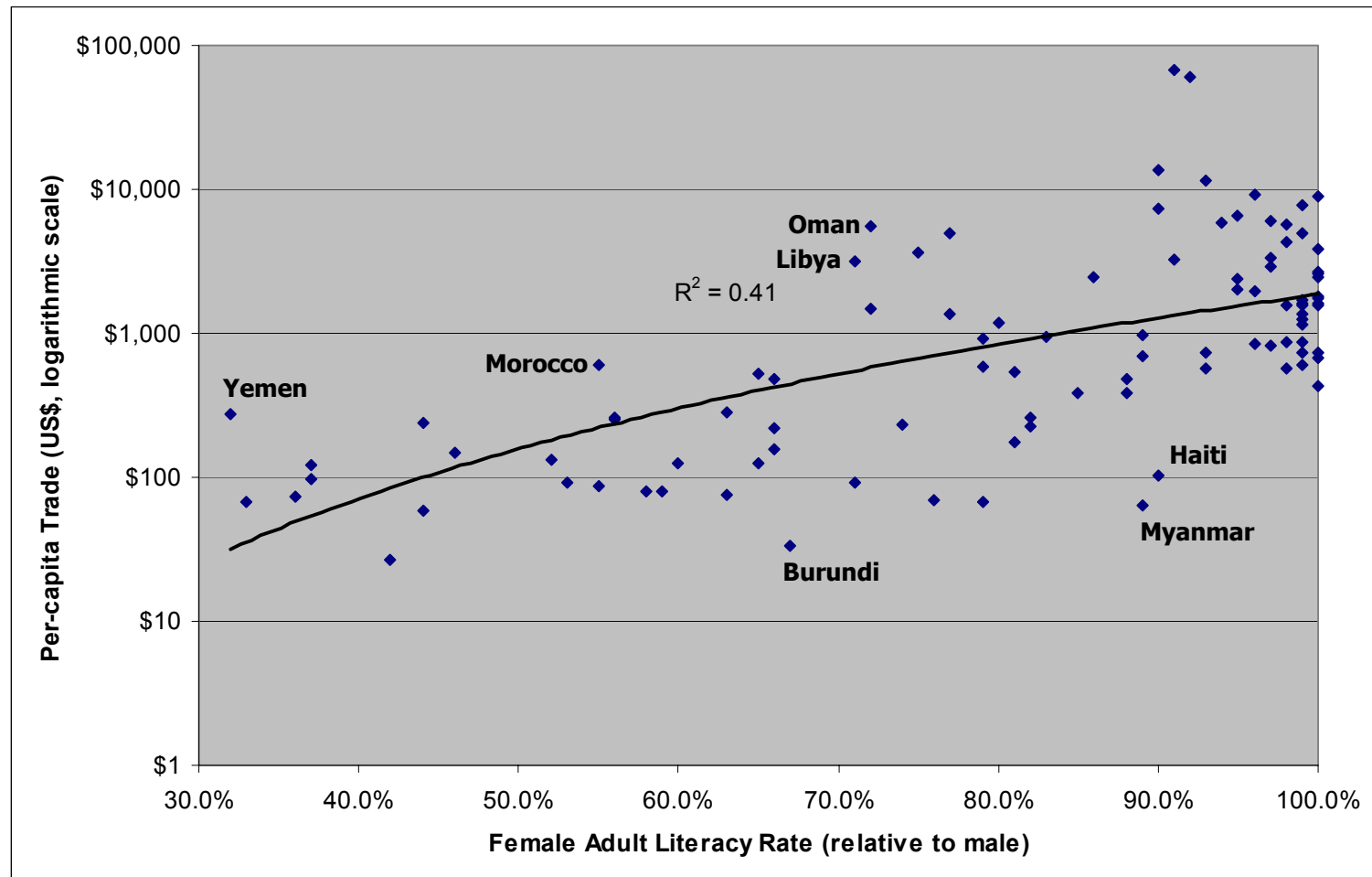
Protectionist argument:

Because the globalization is founded on the premise of exploitation, gender inequality and child labor rates will worsen in the presence of globalization.

Globalist argument:

Because globalization decentralizes power and augments competition, demographic groups that would seek to dominate others are disempowered.

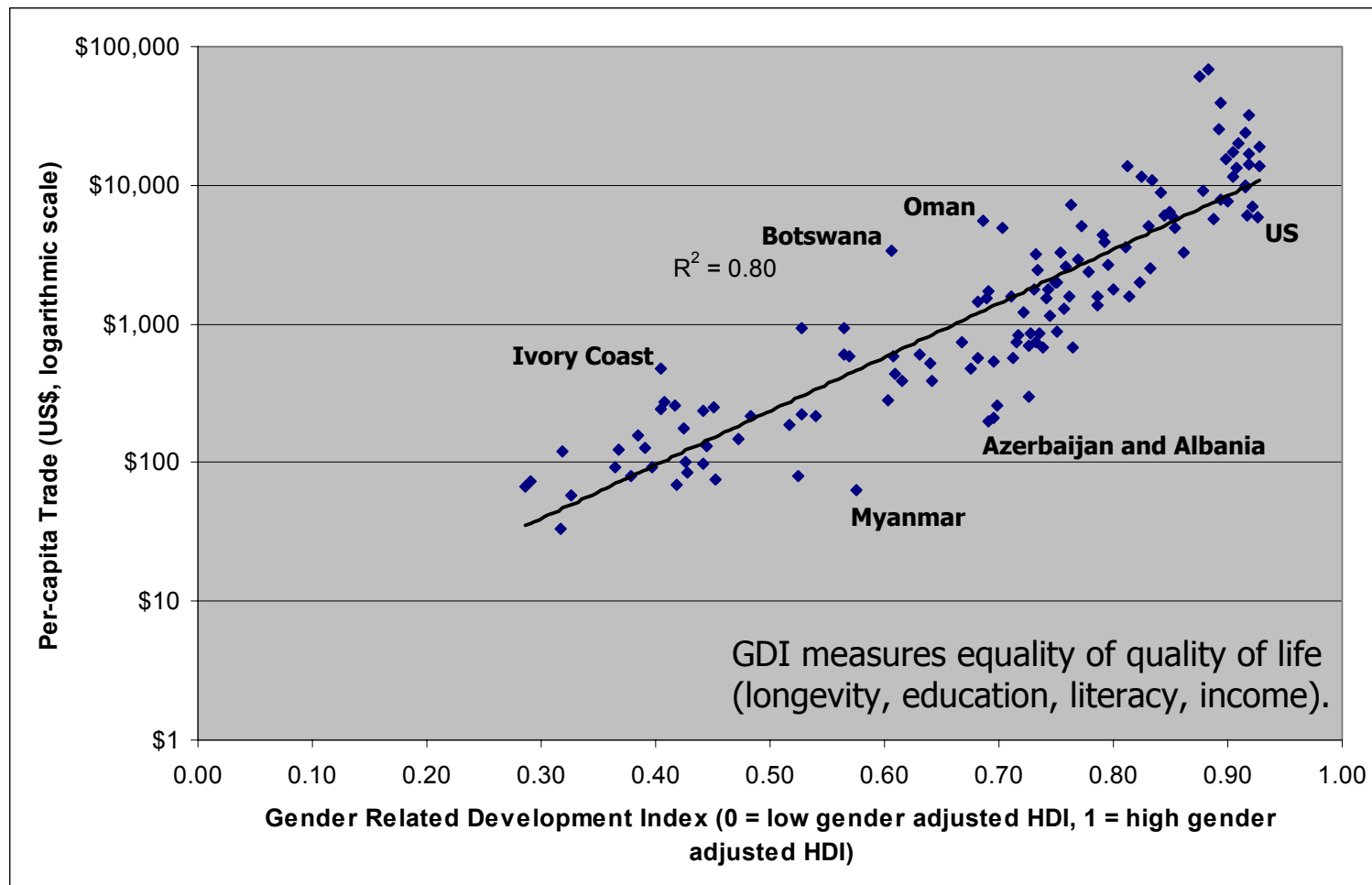
Female Adult Literacy (relative to male)



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *Human Development Report*, United Nations Development Programme, 2002

Gender Related Development Index

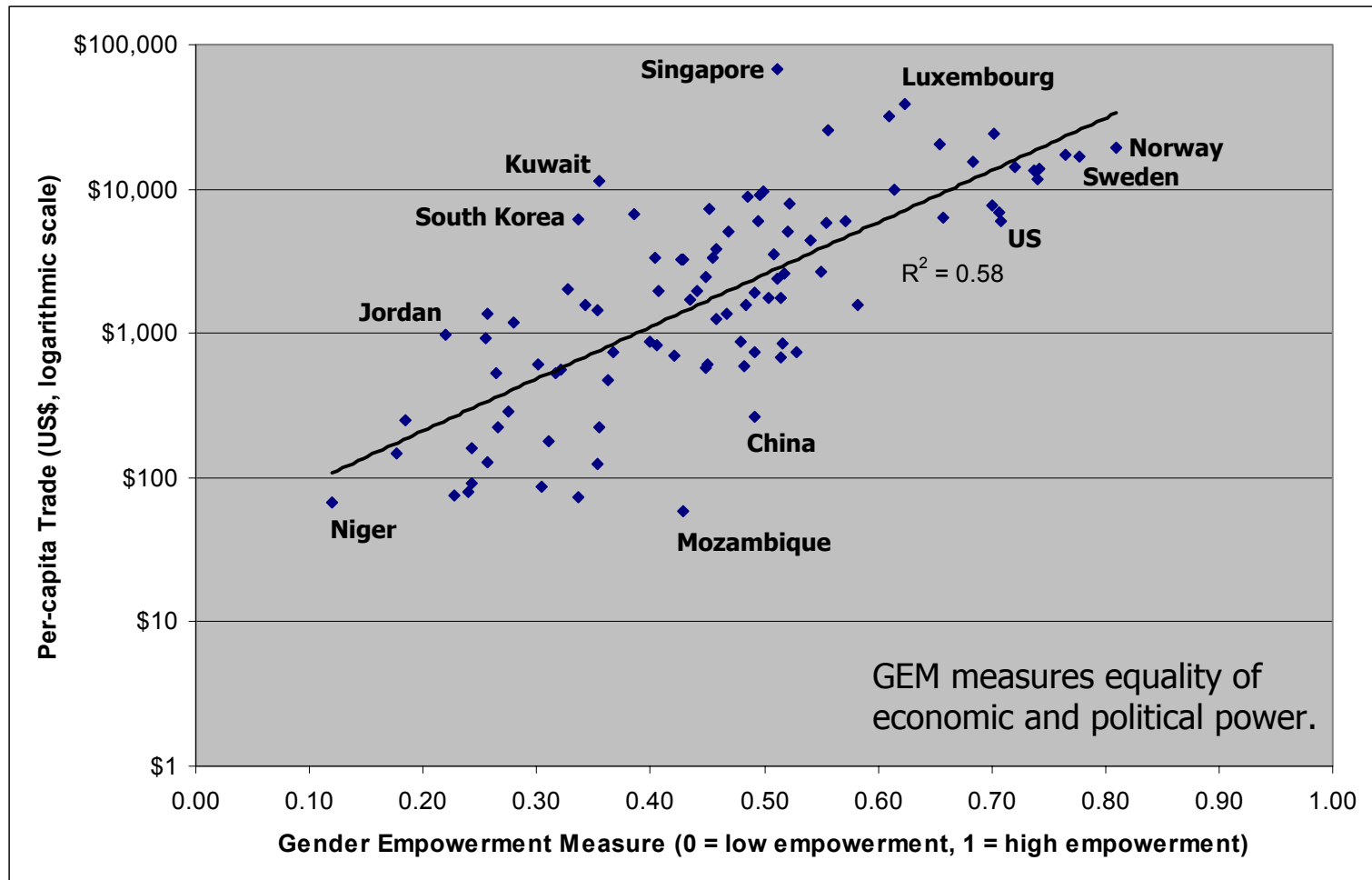
GDI = Human Development Index adjusted for disproportionate gains for men vs. women



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *Human Development Report*, United Nations Development Programme, 2002

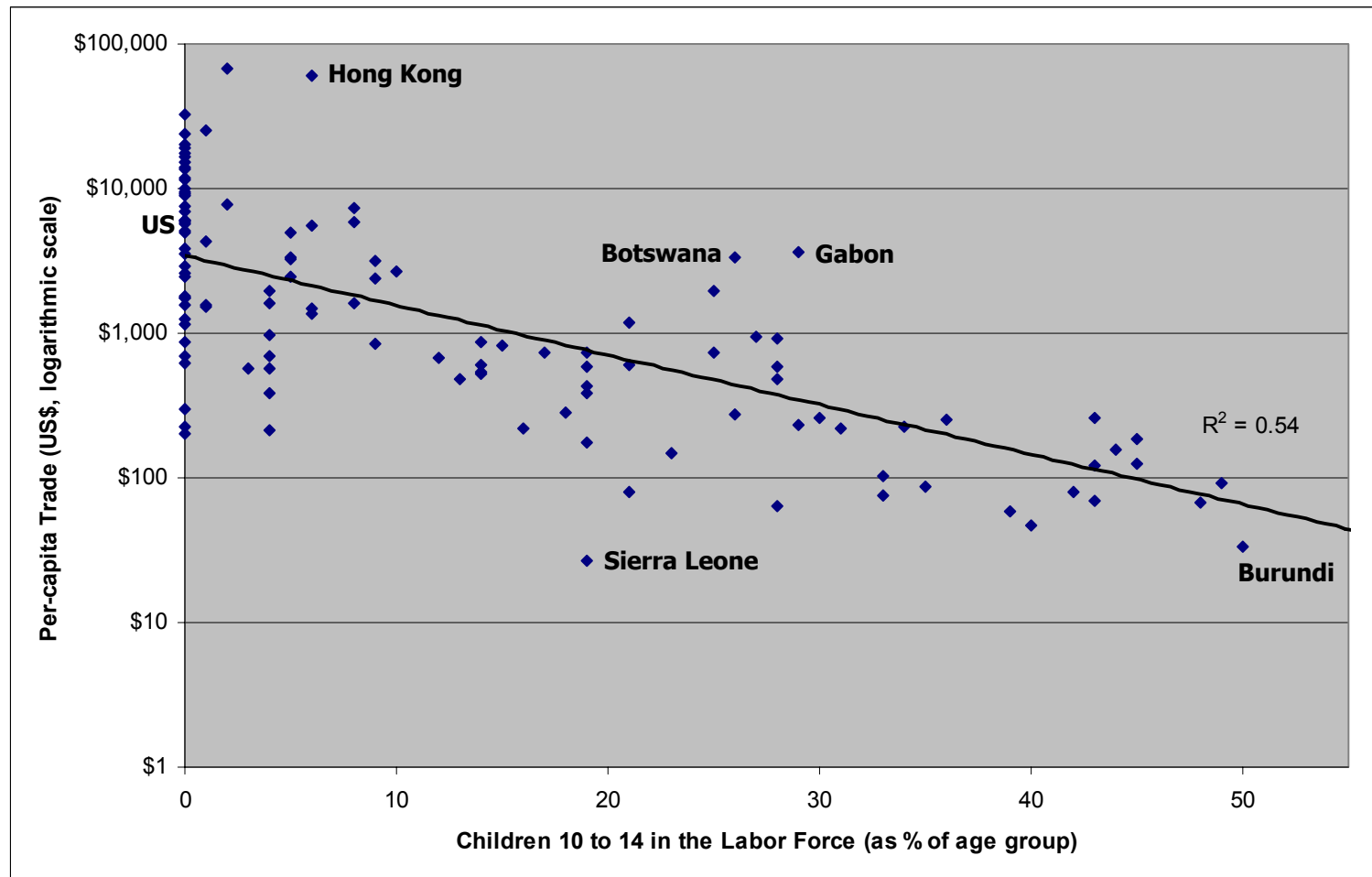
Gender Empowerment Measure

GEM measures the proportion of women in legislatures, among senior officials, and holding technical and management positions as well as gender differences in income (as a proxy for economic power)



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *Human Development Report*, United Nations Development Programme, 2002

Individual Rights: Child Labor



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *World Development Indicators*, World Bank, 2002

Individual Rights: Economic Freedom

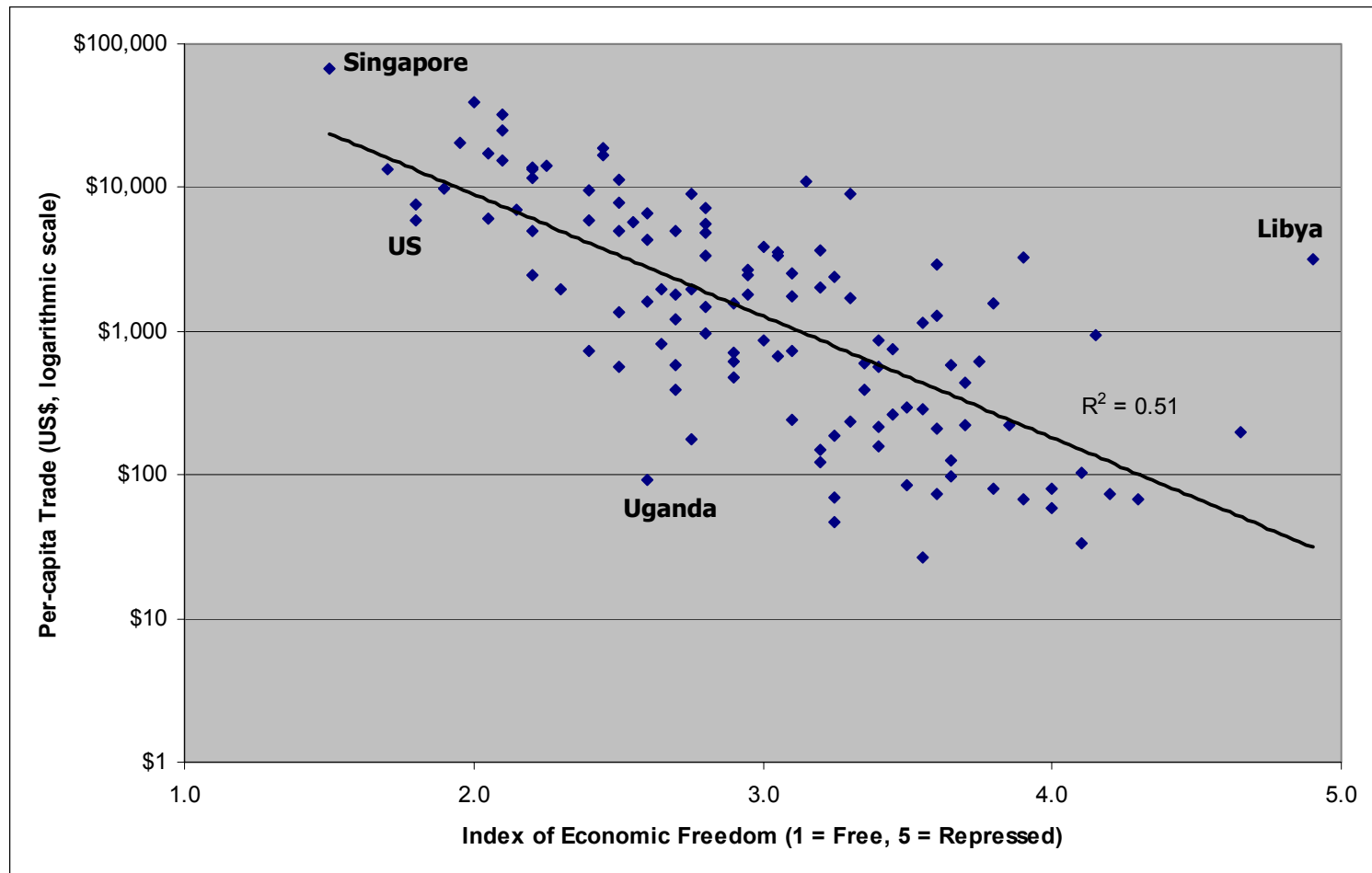
Protectionist argument:

Increased globalization leads to the subjugation of less powerful countries by more powerful countries.

Globalist argument:

Globalization results in an increase in economic freedoms because opening world markets results in (1) greater competition among existing firms, and (2) greater opportunity for new firms, which results in (3) even more competition for existing firms.

Individual Rights: Economic Freedom



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *Index of Economic Freedom*, Heritage Foundation, 2002

Individual Rights: Human Development

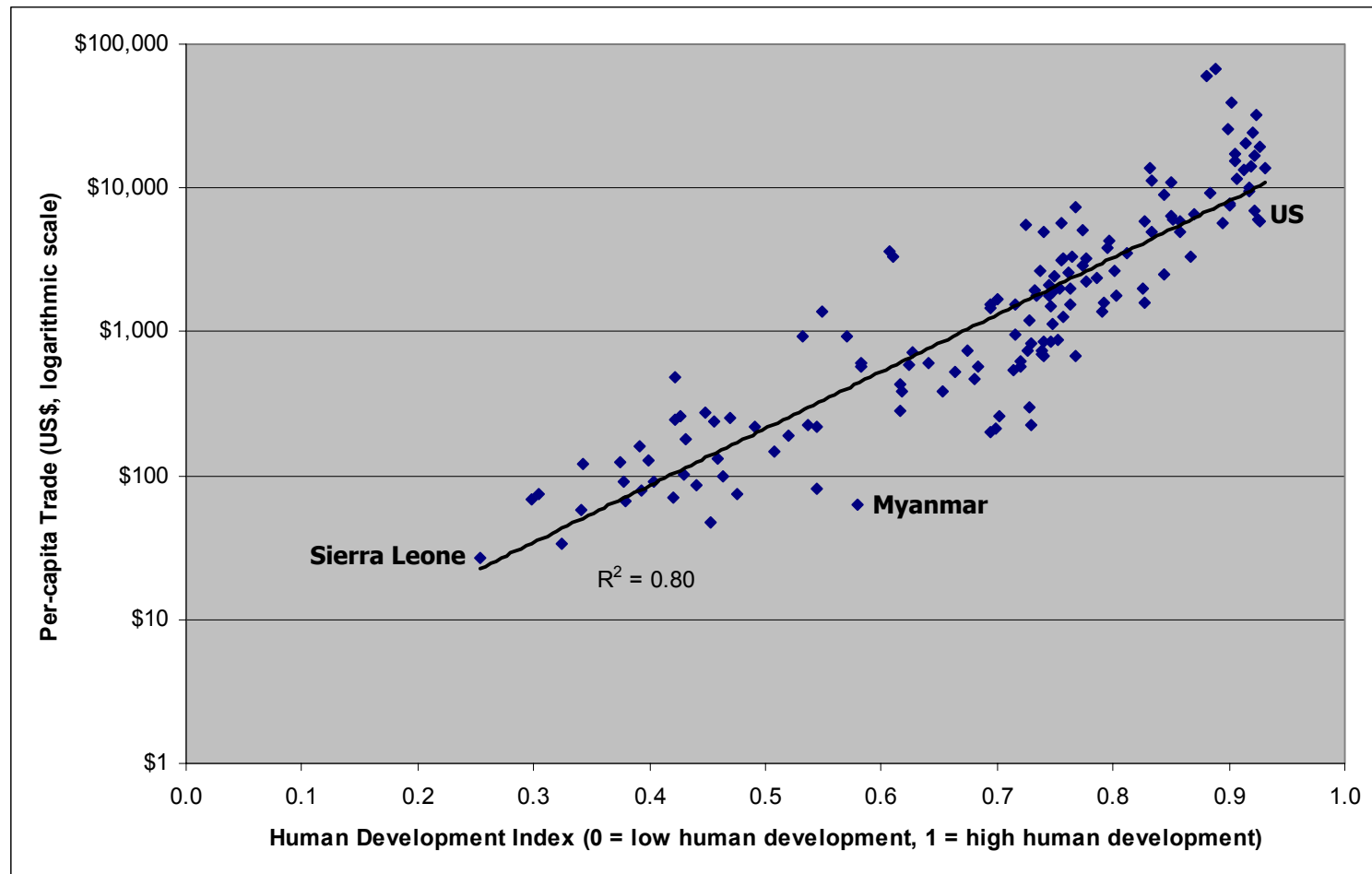
Protectionist argument:

Because trade is based on exploitation, while some countries' incomes may rise, the living conditions of most of those countries' peoples will worsen.

Globalist argument:

Because globalization contributes to both an increase in wealth and an increase in economic freedom, globalization provides peoples with the tools and opportunities to better their lives. As a result, not only their incomes, but their qualities of life will increase.

Individual Rights: Human Development



Source: *International Financial Statistics*, International Monetary Fund, December 2001, and *Human Development Report*, United Nations Development Programme, 2002

Employment in the U.S.

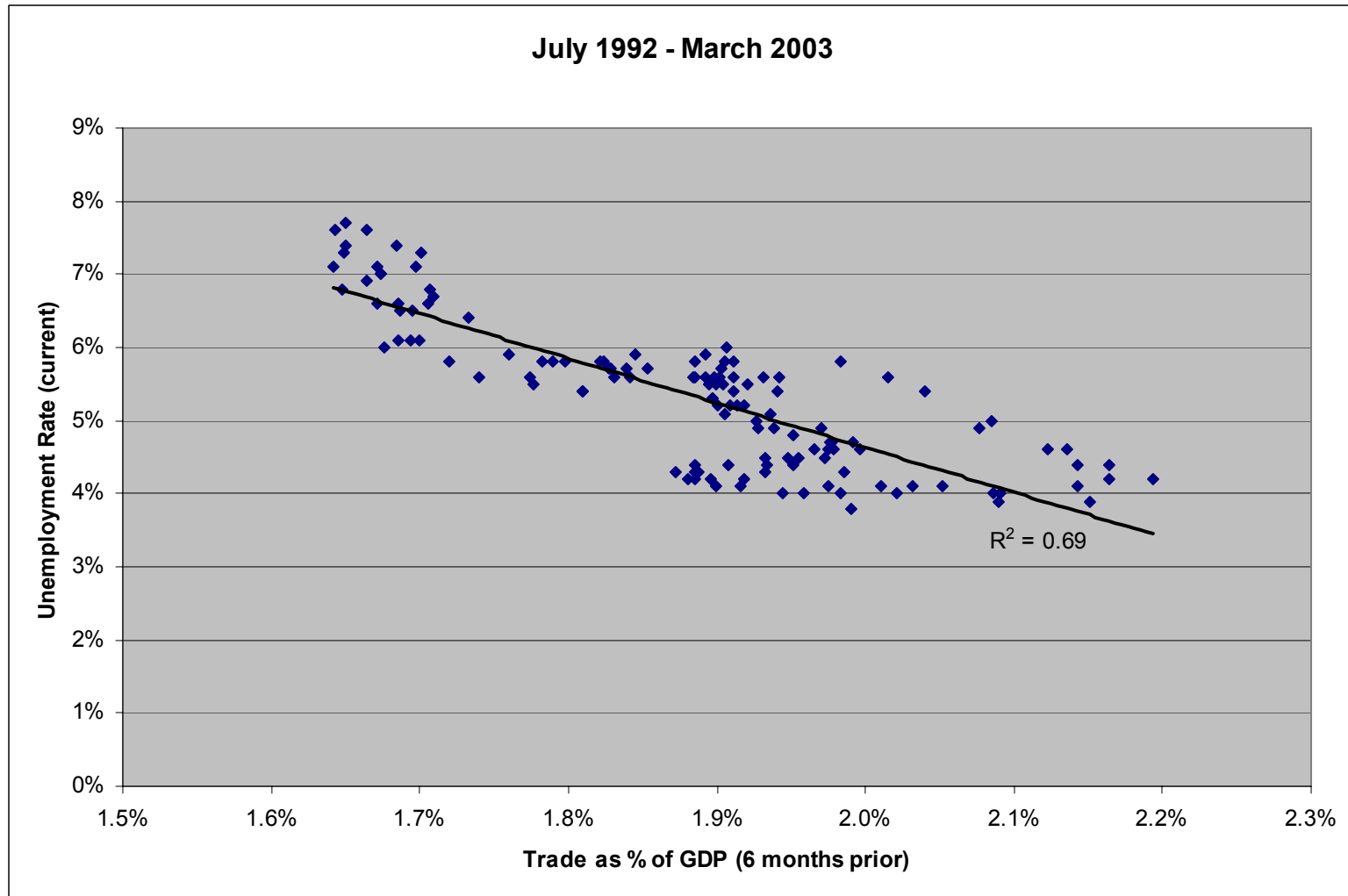
Protectionist argument:

Increased globalization leads to unemployment of U.S. workers as foreign competition destroys American jobs.

Globalist argument:

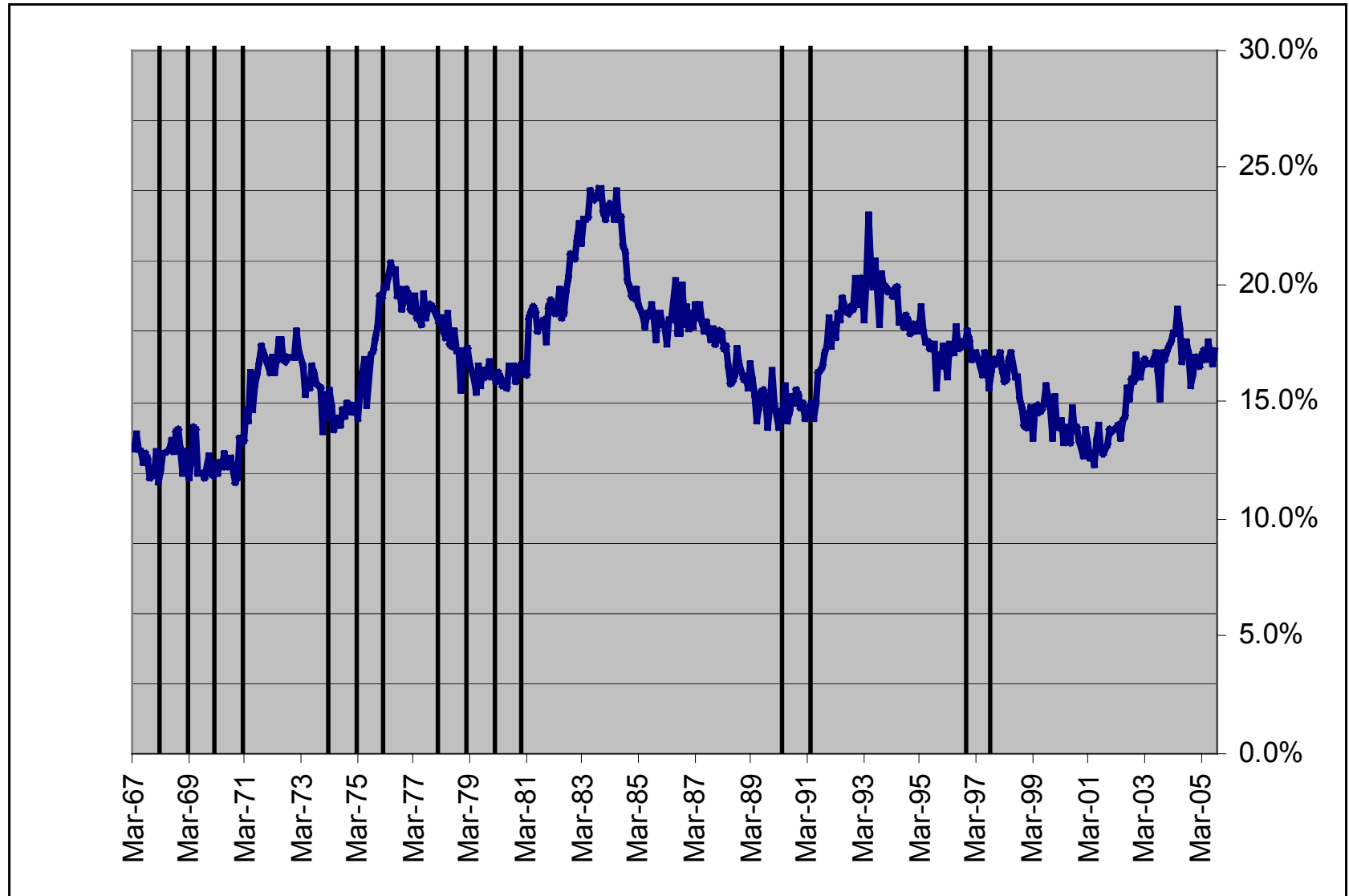
Some American jobs are lost due to foreign competition. Other American jobs are created due to American competition. Because consumers can obtain some goods more cheaply on foreign markets, the overall level of economic activity increases and so the number of American jobs created will outweigh the number of American jobs lost.

Unemployment vs. Trade Over Time



Source: Bureau of Labor Statistics, and Bureau of Economic Analysis

Teen Unemployment vs. Minimum Wage Hikes



Source: Bureau of Labor Statistics

Summary

The underlying condition, and the common thread throughout this discussion, is freedom: economic and political.

Political freedom ensures that individuals can think, speak, and act as they please.

Economic freedom ensures that individuals can generate income and comfortably own property that is dependent on and/or arises from their thoughts, words, and actions.

What does it mean to be created in the image and likeness of God?

→ It is to have freedom.

Some Major Themes from Catholic Social Teaching

Option for the poor

"...the more fortunate should renounce some of their rights so as to place their goods more generously at the service of others." (Octogesima Adveniens, Paul VI, 1971)

Rights and responsibilities

"...when people are without a chance to earn a living, and must go hungry and homeless, they are being denied basic rights." (Economic Justice for All, US Catholic Bishops, 1986)

Role of Government and Subsidiarity

"...it is gravely wrong to take from individuals what they can accomplish by their own initiative and give it to the community..." (Quadragesimo Anno, Pius XI, 1931)

"A community of a higher order should not interfere with the life of a community of a lower level, taking over its functions." (Centesimus Annus, John Paul II, 1991)

Economic Justice

"...it is necessary that economic undertaking be governed by justice and charity as the principal laws of social life." (Mater et Magistra, John XXIII, 1961)

Economics and Morality

In the four Gospels, the poor are mentioned twenty-one times

- Four times, the poor are mentioned as a fact.
- Six times, the poor are called “blessed” or singled out as a special group who will receive the Gospel.
- Eleven times, Jesus instructs the listener to give to the poor.

Question

Why, at no point, do the Gospels justify taking in the name of the poor?

Economics and Morality

Question

Why, at no point, do the Gospels justify taking in the name of the poor?

Observation #1

To rely on the government to feed the poor dehumanizes the poor by regarding them as “mouths to be fed.”

→ Rather than encourage the poor to see gift through the eyes of thanks, mandated social programs encourage the poor to see food through the eyes of entitlement.

Observation #2

To rely on the government to feed the poor dehumanizes the rich by regarding them as “sources of revenue.”

→ Rather than encourage the rich to give out of love, mandated social programs encourage the rich to resent the government’s hand in their wallets.

Economics and Morality

Question

Why, at no point, do the Gospels justify taking in the name of the poor?

Proposition

Poverty is a mechanism for forging a bond between rich and poor.

If we regard the elimination of poverty as an end in itself, we miss the greater opportunity that poverty offers – to bring the rich and poor together in community.

Economics and Morality

Bring rich and poor together in community

- When the rich freely give gifts,
 - When the poor freely give thanks,
 - When both recognize that both gift and thanks ultimately come from God,
- Then the rich and the poor humanize each other – transforming a bond forged by poverty into a bond maintained by love.

“Eucharist” means “thanks.” When we celebrate the Eucharistic meal, we are both receiving food and giving thanks, and recognizing that the food and the thanks ultimately come from God.

Economics and Morality

Epilogue: The Nagging Doubt

What if the rich don't give?

"The poor you will always have with you, but you will not always have me."
(Matthew 26:11)

"The poor you will always have with you, and you can help them any time you want.
But you will not always have me."
(Mark 14:7)

The answer to poverty is not food. The answer is love.