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Perspectives

The Globalization Ruckus



It has become fashionable again to deride what we call the free market system--the recent chaos at the world trade talks in Seattle was a prime example. Ills such as the subversion of cultural values in the third world and pollution are squarely blamed on trade liberalization.

I've probably traveled the third world more than most people who style themselves world travelers, mostly during the late 1960s and early 1970s. At that time Europe, Japan and the United States pursued far more protectionist trade policies than they do today, yet despite that, the Asian, African and Latin American countries I visited couldn't toss aside their cultural heritage fast enough.

Colonialism the culprit

African bushmen vied with each other to get rid of their hand-carved quiver and arrows in exchange for a cheap Western trinket. It would never have crossed my mind to propose such an exchange--it was their idea and wherever I went similar transactions were proposed. And in the highlands of Peru a village elder had a tiger-skin patterned plastic cloth adorn his table. People constantly dropped by to fondle this most treasured possession of the community. Meanwhile, handwoven cloths which had taken weeks to complete could be bought for a couple of dollars or, preferably, for a plastic pen.

I am not suggesting that we shouldn't mourn the loss of cultural diversity or that the third world came to this value system on its own. But the culprit is not the freer trade of the past ten years; it's the colonialism of the past two centuries.

To suggest --as the misguided fools protesting in Seattle did--that an increase in world trade will overthrow the vibrant cultures of Africa, Asia and Latin America, is silly. The way I see it, the cultural integrity of these places has long been replaced with capitalist Western values, at least where it's allowed. The only difference is that 30 years ago the vast majority of people in the third world were without a culture and without a penny. Today, at least, there is economic opportunity.

What about pollution? One of the very demands of the Western trade blocks at Seattle was that the third world should, in fact, adopt tougher environmental standards. Here, too, the protesters had it wrong. The world's big polluters are not industrialized Europe and the U.S., but countries like China, Brazil and Poland. Partly that's because these emerging economies inherited outdated structures which are environmentally inefficient; partly because their leadership doesn't give much of a damn about pollution.

Even so, there is one issue on which I agree with those who flocked to Seattle to disrupt the World Trade Organization's meeting. The continuous power grab by supranational organizations like the IMF, the UN, and indeed the WTO itself, has done more damage than good to many third world nations. I'm all in favor of loans where they're justified, I think world peace is a splendid idea and I hope trade becomes ever freer and local economies ever more open. But bloated bureaucracies, who are more interested in expanding their power base than in doing anything for humanity, aren't much help in achieving that. And I'm afraid, I count the UN, the IMF and the WTO among these.

The problem isn't the free market...

The protesters in Seattle were mostly idealistic students. And if the surveys are to be believed, an astonishingly large number came from rich families who support them. Similarly, a significant portion of adults who criticize the free market system come from big money. The irony that they've been the biggest beneficiaries of capitalism seems lost on them, as does the fact that they're always free to redistribute their own wealth to those more deserving of it.

During the past few months, I've read a few of the new breed of anti-free-market titles, most of which have been published in Europe. The Europeans, of course, refer to what we simply call the free market as "neoliberalism". Don't be confused by that--they don't mean liberalism in political terms, they refer to the more liberal approach of running an economy. None of the books I've looked at are particularly intelligent; in fact, most are devoid of any new thought. A good example of the type of thinking I was treated to is a book which has sold particularly well in Switzerland and Germany--"Die Wohlstandsmaschine: Das Desaster des Neoliberalismus" (The Welfare Machine: The Disaster of Neoliberalism). I have been told it will be available in English this year. It's written by none less than Werner Vontobel--predictably, the son of the multi-billion dollar, Swiss-based banking dynasty of the same name. The author derides corporatism in all its forms, views the trend to seek ever larger corporate size as a negative and sings a mantra of idealistic phrases, none of which are very original.

I'm the first to admit that some of his criticisms are fair--for instance, as my readers know, I have repeatedly expressed concern about the merger mania of recent years and expect it to have far reaching negative socio-economic consequences. Where I sharply differ, however, is in my conviction that there are no better alternatives to the free not Mr. market. When things don't function well enough, I believe, it's because markets are not yet free enough. That is clearly Vontobel's view. "For the large majority of those depending on a wage, freedom is not threatened by an excessively powerful state. No, they are primarily dependent on those, who give or take away their wage."

...the problem is state intervention

I find statements like that infantile. The fact remains that those unhappy with life as employees can go and work for someone else, but those who are trapped by the tyranny of the state can't. I think that speaks for itself, unless, of course, they live in a place where high unemployment is a hindrance to leaving a job, because another position may be nearly impossible to find. Such as in socialist Europe, where unemployment is 2.5 times what it is in the United States. Vontobel and Europe's intellectual elite should accept that that this malaise is not the result of neoliberalism, but an inevitable consequence of excessive state intervention.

In short, the latest crop of self-styled economics books are a sad waste of time. Those of you who really want to learn how things work should read the following texts, which have not only endured decades, but which are highly original in thought, well-anchored in history, as well as philosophically challenging and courageous. Henry Hazlitt's "Economics In One Lesson" and Ludwig Von Mises' classics "The Theory of Money and Credit" and "Socialism" are must-reads! If you have to, read John Kenneth Galbraith's "Economics and the Public Purpose" and "The Crash of 1929". I disagree with many of Galbraith's conclusions, but at least his language is superb and his writing educational. Finally, a good book for the times is Charles Mackay's classic "Extraordinary Popular Delusions and the Madness of Crowds". It was written in 1841, but parts of it are reminiscent of the late 20th century! □

Update

May 10, 2001

I've just returned from two weeks in Mexico, where I attended my daughter Krista's wedding. Apart from spending memorable hours with family and friends, I also had time to look around and take in the general scene. I was positively surprised.

Having spent a lot of time in Mexico in the 1970s, I expected some improvements, but nothing could have prepared me for the kind of change I was to witness. Thirty years ago, Mexico had virtually no middle class. As in other third world nations, most of the wealth lay in the hands of a tiny number of super rich families; by far the largest part of the population was made up of the dispossessed and hopeless. The arrogance of the few members of the elite I met was surpassed only by their utter ignorance. Lower-class Mexicans seemed a good-natured lot, especially given their poverty, but it was difficult to see how the country would ever prosper. Productivity was extremely low and many people harbored some resentment against those coming from "rich countries". A revolution, or at least a period of extreme chaos, seemed likely.

Given an incentive...

The first thing that struck me on this trip was how hard people worked and how motivated everyone was to please. Moreover, no one held out their hand for a tip or tried to aggressively sell something. What has obviously happened is that economic reforms have given ordinary Mexicans an incentive to perform. (I'm sure my impressions would be different if I'd visited a large metropolis like Mexico City, which is known for its pushy and corrupt ways. But wouldn't that be true of most large cities? I can think of several large US cities where people are confrontational or where I wouldn't trust a cop).

What also became very apparent to me is that Mexico now has a sizeable middle class. But unlike their cousins in the industrialized world, middle class Mexicans aren't content with the status quo but demand to change it. I've observed this dynamic in other developing nations where free market reforms have been introduced and I'm convinced it's the key to a great future.

Because these members of the new middle class have come from poverty to a high level of control of their own destiny and well-being, they'll vigorously oppose any return to the ways of the past and actively push for continued reforms. Even better, these pioneers of the free market serve as real-life examples to their families and employees, who'll want to copy their success. (I sometimes wonder where our mature and complacent society will draw its examples from.)

It's where the future is

There is no question that many challenges remain for Mexico, as they do for other countries in transition. Comprehensive reform of property rights, one of the remaining roadblocks to a truly free system, should come first. But the recent overthrow of the PRI (which effectively reduced Mexico to a one-party state, in which the politicians determined everything) and the election of **Vincente Fox**, are signs that things are changing fast.

Some of the liberal media have criticized the Bush administration for making closer ties with Mexico a high priority and for trying to accelerate further globalization of trade. I think the president is right on both counts. The future is with countries like Mexico! And if it wasn't for global trade, the Mexicos of this world would never have a middle class.□

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