Alternatives to the Inevitable:

Modeling the Possible Paths of Globalization

Philippe Larochelle

Few modern processes have as many far-reaching implications and as few publicly discussed conducts as that of globalization. *Globalization* is the term given to the increased integration of the world's economies, technologies, and populations due to advents in the fields of telecommunications, transportation, and the mobility of financial capital. Many adjectives are given to this process, from the derogatory cries of a Seattle protestor to the laudatory hails of a New York journalist[1], but the most commonly associated term with globalization is that it is, above all else, inevitable. This trend most solidly became fashionable in the eighties with the leaders of England and the United States spearheading a movement towards the liberalization of international markets, with Margaret Thatcher declaring herself: "There is no alternative." This inevitability is often used as an excuse to cut off the voices of any dissenters to the effects of this worldwide integration. As recent events have proved, however, dissenters will not be so easily silenced. Furthermore, even if the inevitability of globalization is a reality, the fashion in which such integration will develop is not a matter set in stone, but one that is most certainly left open to debate.

The current system does not go unopposed. The most evident demonstrations of this discontent manifested themselves in the form of mass public protests against institutions like the World Trade Organization (1999) and agreements such as the Multilateral Agreement on Investment (1998), but they are not the only ones crying foul. Members of the academia, respected economists, social scientists, environmentalists, government officials, health experts, and even members of Congress are also calling for a reevaluation into the sustainability and feasibility of the current path of globalization and are suggesting alternative paths that should be pursued, through alternative means of regulation and even through the creation of substantial international governing bodies.

One of the most important questions of the twenty-first century will be the nature of the subsequent globalization. The decision, in a nutshell, is this: Will the future of the world be determined through corporate globalization or through the corporatization of the globe? The subtle difference between these two catch phrases is paramount. The former outlines a system where the peoples and governments of the world community set forward a framework of rules and regulations that privately owned institutions must shape their policies and decisions around. The latter is a system where the regulations, laws, and policies of governments must conform to a framework adhering to the needs of private institutions. The first holds the welfare of the world's populations, environment, and security as the highest priority. The second maintains that the unrestricted generation of profit and individual wealth be deemed the preeminent goal. There are opposing views as to which of these is the proper path, but it is quickly becoming evident that pursuing one set of priorities necessitates sacrificing the fulfillment of the other.

The Current Framework

The current path of globalization is dominated by the principles of a doctrine commonly referred to as "neoliberalism." Neoliberalism is a set of policy objectives that, in brief, dictate countries liberalize trade and finance, let markets set prices, end inflation, and privatize industries and resources wherever possible. The predominant theme is that governments should remove themselves from the process.2 The implementation of this neoliberal doctrine has to a great degree been self-imposed through market pressures and incentives (or disincentives) given by transnational corporations to often weak or corrupt national governments. However, it has also been further propagated significantly by what could be called catalyzing agents– that is, international organizations such as the World Trade Organization (WTO), International Monetary Fund (IMF), and the World Bank. These organizations are able to heavily influence the policies of governments world wide through the various means of financial and trade procedures they use at their discretion to further their vision of a neoliberal global marketplace.

The WTO is an international organization of 135 member countries with headquarters in Geneva, Switzerland, that is a forum for negotiating international trade agreements, serving as the monitoring and regulating body for enforcing agreements. By it's own account the WTO is "the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible."[3] Ensuring the smooth flow of trade may sound like a simple act of diplomacy, but in many cases it necessitates taking measures to override legislation passed on a local, national, or even international level. If such laws impede trade, whether they are a protectionist measure passed to bolster the local economy or an environmental health law or a labor law, the WTO adjudicates. 4 Once its verdict is passed it applies pressure for that piece of legislation to be overturned. In the vast majority of cases the party under the WTO's looking glass will overturn such a piece of legislation rather than face the consequences.

The WTO's short five-year history has been littered with cases of this kind of process of ensuring free trade. Out of all parties involved, it would seem that the corporations of the world have had the greatest gain from the WTO's actions. In every case that has been brought to the organization challenging environmental or public safety legislation on behalf of corporations, the corporations have won.[2] Since it was created, one in four WTO challenges has involved environmental, health, or safety policy.5 Its sister organization, the International Monetary Fund, is a worldwide financial institution created to regulate an international monetary system based on convertible currencies to facilitate global trade while leaving sovereign governments in charge of their own monetary, fiscal, and international investment policies. The World Bank (the commonly applied name to the International Bank for Reconstruction and Development – IBRD) was established to help finance the reconstruction of war-torn Europe and the development of poorer nations.

Today, the IMF and World Bank adopt a policy structured towards promoting the neoliberal development of economies world wide that are in financial distress. If an appeal is made to the IMF or World Bank for a loan to prevent a certain country from defaulting on its international debts, the IMF will agree to do so if a government agrees to sign what is referred to as a "structural adjustment agreement." This is a guideline given to nations by the IMF for the past two decades and is to be followed by troubled third world economies. Its main elements are: (1) Monetary Austerity: Control the money supply of the country in such a way so that internal interest rates will rise to whatever is needed to stabilize the local currency; (2) Fiscal Austerity: Increase tax collections and reduce government spending dramatically; (3) Privatization: Sell public, state-controlled industries to the private sector; and (4) Financial Liberalization: Remove restrictions on the inflow and outflow of international capital as well as restrictions on what foreign businesses and banks are allowed to buy, own, and operate.[5]

The consequences of such institutions are predictable enough. Their policies and modes of operation lead to the creation of a virtual playground for transnational corporations. The current system where these institutions are the dominant global players creates a framework much closer to the model of global corporatization than to that of corporate globalization. The WTO punishes countries who pass legislation that have protective measures for their populations, and the IMF provides disincentives for national governments – especially the poorer ones who are greatly in need of loans – from passing such legislation in the first place. It is a framework where the policies of governments must succumb to the needs of privately held institutions.

The defense offered by proponents of the system is that creating an environment where businesses have their operational conditions optimized eventually leads to a more prosperous and advantageous situation for all, from peasants to princes. The benefits claimed range from "promoting peace" to "cutting the cost of living" to "raising income."[6] On the last issue the WTO claims: "Lowering trade barriers allows trade to increase, which adds to incomes – national incomes and personal incomes."[7] Each of these claims should be analyzed on its own merit, but a proper analysis dictates a further probing of the true nature of benefits. An essential question that needs to be addressed is: Whose income does it raise and what aspects of the cost of living does it help decrease?

The Misconception of Free Markets vs. Protectionism

A popular view that might be taken when comparing the choices of the two models proposed is to associate the first model with thoroughly protectionist principles and the second with a policy of advancing free-market doctrines. The contention is that those who wish to look after the environment, labor standards, health standards, and the welfare of populations do so through exclusively protectionist measures, by limiting capital flow and free competition, and those who wish to bolster business interest take a thoroughly libertarian stance insisting that the government should get out of the way. A look at history reveals a flaw in this reasoning. It is true that the preservation of environmental and social standards does often necessitate certain protectionist measures, but a look at the record indicates that the fulfillment of business interests and the corporate agenda also contains certain policy elements that are thoroughly protectionist in their nature.

The home state has played a key role, through direct and indirect intervention, in the ability of large corporations to expand their influence and increase their profits. An extensive study of transnational corporations by Winfried Ruigrock and Rob van Tulder found that "virtually all of the world's largest core firms have experienced a decisive influence from government policies and/or trade barriers on their strategy and competitive position," and "at least twenty companies in the 1993 Fortune 100 (an index of the world's 100 largest corporations) would not have survived at all as independent companies, if they had not been saved by their respective governments," by socializing losses or by simple state takeover when they were in trouble.[9] A recent example of this trend is the bail out of American investment firms when the Mexican Financial crisis hit. The reassurance of having public funds available to bail out corporations is an essential facet of creating a framework where the generation of private profit is held as the highest goal.

These contradictions to the pursuit of libertarian values are not confined to within the boundaries of corporate interest–motivated national legislation; they can even be found within many key policies of the WTO. In its literature, the WTO seems to have an almost philosophical objection to protectionism in all its forms. It's Web site and public documentation is littered with statements such as "protectionism is unwise because of the damage it causes domestically and internationally, as we have already seen."[10] A look at WTO policy causes us to assume that either the organization has a very convenient definition of what falls under protectionism, or it simply does not practice what it preaches.

A particular area of dispute brought against the WTO is a major section of its policies and guidelines that fall under the heading of something called "intellectual property rights (IPRs)." These are essentially a form of patents on ideas, artistic creations, technological innovations, and marketing tools that bestow ownership rights and legal protections to corporations and individuals. The WTO Agreement on Trade Related Aspects of Intellectual Property (TRIPs agreements) establishes enforceable global property rights and requires all 135 WTO members to enact domestic legislation to enforce these new rights. It is of interest to note that the notion of TRIPs was initially proposed to the WTO by a conglomeration of approximately a dozen corporations.[11] In elementary analysis, it is clear to see that patents in general are among the most anti–free-market pieces of legislation in existence. The act of denying individuals, firms, and governments the right to produce a particular product if it coincides with a similar patented creation is very protectionist.

The question is: Whom does it protect? The holder of the patent (not necessarily the inventor) receives protection, which more often than not is a large transnational corporation. So the protectionism so feared by the WTO, we must assume, refers only to the protective measures put in place to safeguard local economies as well as environmental, health, and safety concerns but does not refer to the protective measures put in place (through its doing no less) to guard the property rights of predominantly wealthy, privately owned institutions. A convenient definition – but, nevertheless, an incorrect one.

These procorporate protectionist measures, namely TRIPs, are not without their consequences. They are also prime examples of the sacrifice that must be made of the priorities for the model of corporate globalization when the corporatization of the globe model is pursued. A key ramification of the presence of these types of intellectual property rights is how it affects the distribution of medical supplies to the world's populations. Examples range from the United States to Latin America to throughout Sub-Saharan Africa. The most telling example is found in the country of South Africa. The WTO TRIPs agreement established a twenty-year marketing right for patent holders that is set to take place for pharmaceutical products in South Africa by the year 2005, at the latest. In 1997, the government of South Africa enacted the South African Medicines Law, which has yet to be implemented. This law encourages the use of generic drugs, prohibits pharmaceutical companies from paying doctors kickbacks for prescribing their products, and would institute measures known as "parallel importing" and "permit compulsory licensing" as means to control pharmaceutical costs. This law would be especially important considering the high incidence of HIV/AIDS in the country, which necessitates the availability of affordable treatments to the population.

Despite the important health provisions present in TRIPs, which include allowing countries to employ parallel importing and to permit compulsory licensing, a coalition of South African and U.S. pharmaceutical companies as well as high-ranking officials of the U.S. government, initially including Al Gore, have presented a united front against the law, having threatened the South African government with a WTO challenge.[11] Should this WTO verdict follow the trends of past years and rule on the side of the corporations, the relief of South Africa's health crisis will see significant setbacks over the next couple of decades.

In the case of these patent laws on vital medicines, the supporters of the first model would rather see a more liberal free-market doctrine of entry and competition (that could bring down prices) than the current one. The supporters of the second model would bolster policies of IPR's that have more protectionist elements. To reiterate the initial point, neither side of this essential question of globalization holds an entirely libertarian or protectionist view. Each side's policy has elements of both where it suits its purpose. Safeguarding the health of populations sometimes favors adopting free-market principles, whereas optimizing the conditions for private institutions sometimes favors protectionist measures and high levels of government intervention.

How We Got Here

The background for the current system of economic and political interaction was predominantly shaped surrounding the events at the end of the second World War, with several key transitions in between. Along with the formation of the United Nations through the drafting of the Atlantic Charter, the policies created at the conference held in Bretton Woods, New Hampshire, in 1944 were instrumental in shaping the path of globalization for the third quarter of this century. Their downfall in the early 1970s was just as instrumental in shaping its path for the fourth quarter. Out of the conference held at Bretton Woods, there emerged what came to be known as the Bretton Woods system of managing global finance and trade. One of the most important elements of the system was that the exchange rates between the major currencies were fixed in terms of the dollar, and the value of the dollar was tied to gold at a U.S. guaranteed price of thirty-five dollars per ounce. This system maintained a remarkable stability in exchange rates for twenty-five years. For long periods of time everyone could be confident about the rate at which they could exchange one country's currency for another.[12] Also out of the conference there emerged the International Monetary Fund and the International Bank for Reconstruction and Development (World Bank).

Furthermore, there was an effort to establish an International Trade Organization (ITO) that eventually met with failure and left the General Agreement of Tariffs and Trade (GATT) in its place.[13] The origins of the current system can most readily be traced to events that took place in the early 1970s. On August 15, 1971, Richard Nixon instructed the U.S. Secretary of the Treasury to suspend all sales and purchases of gold. This move marked the beginning of the end for the Bretton Woods system. In the next couple of years Japan and the European community allowed their currency to float against the dollar. This sparked a large-scale trend of countries towards the liberalization of financial markets. Having a currency value largely reliant on the amount of investment coming into your country made the adoption of such policies almost a necessity. Countries across the world abolished all restrictions on international capital movements, starting with Canada, Germany, and Switzerland in 1973, the U.S. in 1974, Japan in 1980, and several more European countries in the early 1990s. This gave way to an exponential growth in the amount of capital flowing between national boundaries.

Further steps towards liberalizing markets occurred throughout the eighties with the urging of the Thatcher and Reagan administrations (although they adopted several highly protectionist measures to preserve their respected economies). Consistently, the view emerged that asserted economic growth by definition is good and that economic performance is optimized when governments refrain from interfering in markets. It came to be known by several titles namely "the Washington consensus," "Reaganism," "the new right," "corporate led globalization," and ultimately "neoliberalism."[14] In 1994, the North American Free Trade Agreement (NAFTA) was signed by the governments of the United States, Canada and Mexico. In 1995, the WTO was created out of provisions passed at the "Uruguay Round" of the General Agreement on Tariffs and Trade (GATT).

The late 1990s, in particular, saw a notable upheaval in protests to the neoliberal order. Among the most significant of these was the protests and opposition that preceded the target date, April 27, 1998, for the signing of the Multilateral Agreement on Investing (MAI). The MAI was a treaty that was overwhelmingly supported by corporations. It included provisions such as allowing companies to sue national governments while remaining largely immune from liability, according them the rights of states as opposed that of mere individuals as before [8] (perhaps not so far fetched seeing as how fifty-one of the world's largest economies are corporations, not nations[14]). The term was is employed because the treaty was never signed. The reasons quoted for its failure were popular dissent and internal strife. Similar, but more organized protests in December 1999 led to severe holdups for the Seattle conference of the WTO.

The pleas of large sectors of the population have not been completely ignored by sectors of the government. A "Global Sustainability Bill" has been drafted and is to be presented to Congress by Representative Bernie Sanders of Vermont. Its essentials are summarized to the public on its Web site. The provisions include measures to create a more publicly accessible dialogue on the future of the global economy, developing a sustainable global financial strategy, reforming international financial institutions and implementing a greater degree of corporate accountability.15 The debate over the bill has yet to go into full swing, so the prospects of it passing are difficult to assess at this time.

Such are the conditions that have brought us to our current situation. The question of shaping future policy is a matter of determining what are the priorities of our policy, ascertaining what are costs the and benefits of the current system towards the fulfillment of those priorities, assessing the sustainability of the system, proposing a new system, and then, in a semidialectical fashion, submitting the new system to the same kind of dissection. An essential feature of this process, as should be pointed out, is to determine what goals are the priorities of our policy.

If we take the priorities of corporatization of the global model, then it would seem that our current system is a resounding success. The type of neoliberalism that is being followed has few costs for the higher sectors of society and well-established corporations in the richer countries, while offering potential benefits and opportunities for profits that have never been seen before. Corporate profits are at an all-time high, and the gap between the higher sectors of society in developed countries is increasing to a substantial degree. Over the course of the 1990s, corporate profits rose 108 percent with an increase in the S&P 500 index of 224 percent. In the United States, by the year 1998 the average CEO of a large corporation made more than 400 times the salary of the average employee at that company and earned nearly six times as much as at the beginning of the decade, a rise of 481 percent between the years 1990–1998.[16] Costs in the form of risk are minimized, as states are there to intervene and bail out corporations when things get rough. As the model necessitates, corporate profit and the opportunities for individual wealth are abundant and plentiful. Eventually, one might come to question the sustainability of a continued adoption of this doctrine for the priorities it has set out, but for the time being suffice it to say that the proponents of model number two have little to be displeased with in the current framework.

However, if one chooses to adopt the alternate set of priorities, those in accordance with a model of corporate globalization, one finds that in many cases the costs weigh very heavily among the policy objectives one is trying to accomplish. The preservation of financial security for populations as a whole, the safeguarding of environmental standards and natural resources, as well as the concerns regarding health and poverty conditions all incur serious costs through a policy similar to the current neoliberal one. An analysis of these harms point in the direction of alternate paths that should be taken.

The Threatened Stability and Security of Global Finance

Since the downfall of the Bretton Woods system of international finance in the 1970s there has been a decisive increase in the movement of international capital flow, predominantly in the field of speculative capital flow. Speculation is the act of playing a country's currency sort of like a stock, buying if you think the price is going to go up, selling if you think it will go down, in order to make as much money as possible. In 1971, only eleven Wall Street banks traded in foreign exchange markets. Today, nearly 200 major foreign-exchange trading institutions do business on Wall Street. In 1973, daily foreign exchange trading varied from around $10 billion to $20 billion, and the amount that was spent on currency dealings did not exceed world trade, the amount that changed hands in the actual purchase of products, by 2:1. By 1992 daily trading averaged $880 billion with a ratio to world trade of 50:1, and by 1995 the amount was $1260 billion with a ratio to world trade of nearly 70:1.17

The drastic increase and rapidity in the movement of international capital have produced a succession of major financial crisis over the course of this new liberalization of markets, namely Latin America's Southern Cone crisis of 1979–1981, the developing country debt crisis of 1982, the Mexican crisis of 1994–1995, the Asian crisis of 1997–1998, the Russian crisis of 1998, and the Brazilian crisis of 1999.[18] Having a stable currency is essential to assuring secure means of subsistence for a population; without it, access to the vital necessities of life become threatened. The very essence of a market economy is that it operates on a generalized process of exchange, namely money. If the value of money severely depreciates then that process of exchange becomes compromised. In a volume entitled *Global Finance at Risk*; *The Case for International Regulation,* two respected economists, John Eatwell (president of Queens' college in Cambridge and a member of the House of Lords) and Lance Taylor (professor at the New School University in New York), outline the fundamental problems of the current environment for financial trading and advocate the creation of a World Financial Authority (WFA) to properly regulate and stabilize global finance. In the book they stress that financial markets are not automatically self-regulating and illustrate the point in four key areas.

1. A breakdown in national regulatory capacities has occurred as liberalization has spread worldwide over the past four decades. Consequences have included high and variable real interest rates, increased volatility of asset prices, poor national economic performances, and the contagious spread of market instabilities world wide.

2. Such developments create the possibility of massive upheavals even in the large and integrated financial markets of the industrialized economies. Past examples are presented and potential risks to the American economy are pointed out.

3. The recent wave of currency crises in developing and transitional economies has clearly been associated with rapid capital market liberalization and the absence both internationally and at the country level of appropriate regulatory procedures to deal with the financial flows unleashed.

4. There is a complete absence of "fundamentals" in determining exchange rates; changes in rates are driven exclusively by shifting speculative "conventions" in the markets. Exchange rate volatility exacerbates all the deficiencies of unregulated markets.[19]

Eatwell and Taylor go on to state, "In all four areas, intelligent international regulation is essential to help markets perform more effectively and reduce the danger of mass market failures."19 Having such measures in place do in circumstances compromise the priorities of the corporatization of the global model, by having checks on capital flows and certain taxation measures on investment. Deciding whether to implement such an institution in the framework for a new system is, again, a matter of assessing priorities.

The Environmental Toll

Within economic circles a popular term for the costs incurred by society that do not factor into the calculations of financial investors is called "systemic risk." The financial investors underestimate the true cost society as a whole pays for the risks they take. "'Systemic risk' is to financial markets as dirty smoke is to the environment. In reckoning the cost of production, the factory owner fails to take into account the cost his smoking chimney imposes on the community. The dirty smoke is an externality."[20] The parallels between financial "systemic risk" and environmental "systemic costs" also translate to an extent into the way they are regulated.

In a financial setting the role of regulators are essentially: (1) ensure that markets work efficiently by managing systemic risk and by preventing market abuse and economic crime; and (2) to protect the consumer. In a similar fashion, environmental regulators have the role: (1) ensure that markets work efficiently by managing systemic environmental costs and preventing undue abuse of resources; (2) protect the consumer. Regulators have the effect of forcing institutions that reside within their jurisdiction to factor in systemic costs, either by preventing the use of certain procedures otherwise open to them, or by making them pay for the damage that has been done. This is a cost that, if at all possible, corporations will try to minimize if not altogether avoid. In simple terms, the more relaxed the environmental legislation in a particular region, the more appealing it becomes for corporations to operate within that region.

This fact leads to what is commonly referred to as a "race to the bottom." Governments vying for corporations to set up shop in their countries feel pressured to lower their regulation to a level that will bring in needed investment. By pitting governments against each other corporations can optimize their operating conditions. The newfound mobility of international capital allows it to seek out the most hospitable home, which may well be a place with weak or unenforceable environmental laws. [21] This process of degrading environmental legislation would definitely make a significant effect on its own, but as is the current framework there are catalyzing agents in place that work at lowering environmental standards even in countries that are at times willing and able to put up a strong front against such pressures. The WTO has an especially notable record in this regard. By taking measures to ensure the smooth flow of trade the WTO has claimed numerous pieces of environmental legislation as its victim.

One of the most notable examples of this has to do with the case brought before the WTO in January 1996 by Venezuela and Brazil, having to do with the clean air stipulations the Environmental Protection Agency (EPA) started enforcing in 1994 from the Clean Air Act passed by Congress in 1990. Venezuela and Brazil claimed that certain facets of the EPA rule could put their oil industries at a disadvantage. The WTO panel sided with Venezuela and Brazil's oil companies. In August 1997, the EPA replaced the regulation the WTO had proclaimed to be an illegal trade barrier with a new one that was "consistent with the obligations of the United States under the World Trade Organization." The new WTO-consistent rules are identical to an industry proposal that the EPA had previously contended was unenforceable and too costly.[22]

Another noteworthy case is the proposed challenge of the automobile industries of the European Union and United States against Japan for clean air rules implementing the Kyoto treaty of 1997. The Japanese government committed itself to cut greenhouse gas emissions by 6 percent of 1990 levels. Japan then launched a comprehensive plan to cut CO2 emissions that included setting new standards for automobile fuel efficiency. The guidelines were modeled after the most nonpolluting engine within a particular class. A car designed by Mitsubishi is currently the most nonpolluting. The EU and U.S. filing on behalf of companies such as Ford and Daimler-Chrysler question Japan's basing the new standard on the performance of the Mitsubishi engine; they argue this discriminates against foreign manufacturers who do not use this engine. Japanese officials claim that the new regulation is written flexibly, allowing the EU and U.S. automakers to meet the standards however they wish, not forcing them to use a Mitsubishi engine; but requiring them to meet a similar standard. They state that cars not equipped with the best emissions-reducing technology should be targeted because they are responsible for CO2 emissions that make it difficult for Japan to meet its obligations under the Kyoto protocol. It remains to be seen whether the EU and the United States will mount a formal challenge in the WTO.[23]

The conferences held and treaties signed in Kyoto, Japan, and Rio de Janeiro, Brazil, earlier this decade are two of the few examples in recent history of initiatives pursued to follow the model of corporate globalization. Standards at those treaties were set with the intention of preserving the environment and halting the potentially disastrous effects of global warming. At that agreement an international consensus set guidelines to which the corporations had to adhere to. This case involves a direct confrontation between a proponent of the corporatization of the global model, the WTO, and one treaty following the corporate globalization model. Seeing which one takes precedence will be a good indication of which model will be more closely pursued in the near future.

Despite the significant damage done by the repealing of environmental legislation, that trend is not the harshest toll that neoliberalism takes upon the environment. Perhaps the most worrisome implication of the surging inflows of foreign capital into developing countries is the fact that they help export Western consumerism. One of the most important questions that must be posed is: Can people everywhere expect to one day live like Americans? The United States, with only 5 percent of the world's population, consumes over 40 percent of the world's resources. If every citizen in China consumed at the same rate as the average American, the strain on the world's natural resources would be too great to compensate. If the economy continues to grow rapidly, China's need for grain and other food products would quickly exceed the exportable supplies of the United States and other countries. If car ownership and oil consumption per person there ever reached U.S. levels, the country would need 80 million barrels of oil per day. In 1996, the world produced 64 million barrels per day. China is teaching us that the Western industrial model is not viable for China or the world as a whole, simply because there are not enough resources available. In an annual account of the health of the planet as a whole entitled The State of the World Lester R. Brown states the facts very simply:

"As the economy grows, pressures on the Earth's natural systems and resources intensify.... While economic indicators such as investment, production, and trade are consistently positive, the key environmental indicators are increasingly negative. Forests are shrinking, water tables are falling, soils are eroding, wetlands are disappearing, fisheries are collapsing, rangelands are deteriorating, rivers are running dry, temperatures are rising, coral reefs are dying, and plant and animal species are disappearing. The global economy as now structured cannot continue to expand much longer if the ecosystem on which it depends continues to deteriorate at the current rate."[24]

The continued flow of investment from Western countries into the developing world under the guiding principles of neoliberalism is generally not conducive to improving this situation. It is much easier for corporations to conduct business by simply exporting technologies that were constructed for a Western style of life than to redesign products for alternative environments and population densities. Solutions to the environmental challenges we now face are by no means simple. To curb the trends of deteriorating environmental legislation, significant steps need to be taken. The first step is obviously a reform of the WTO's policy concerning environmental laws and their interaction with trade.

The second, dealing with the pressures felt by nations to lower their regulations to attract investment, requires stronger measures. What is happening in the race to the bottom is similar to what sometimes happens in the United States in a process known as "devolution."[25] When the federal government hands power down to the individual states, the burden of passing legislation falls on each state's shoulders. Companies that would not have been able to influence the policy making of the federal government have an easier time pressuring the individual states into succumbing to their demands. For example, an investment firm in Massachusetts threatens to move to Rhode Island if it doesn't receive certain tax breaks or subsidies. If the company brings significant revenue into the state, chances are the government will take certain measures and change its legislation to keep it there rather than lose it altogether.[25] The way to protect against this is to have more authority on the federal level to pass uniform legislation across the country so that companies cannot pit the states against each other in such a way, unduly abusing public resources. Analogously, the solution to combat the environmental version of such a race to the bottom is to have a higher level of government or set of conventions that passes uniform environmental legislation across a wide sphere of influence, and, ultimately, on a world scale.

The problem of solving the increasing drain on the resources of the world is stated by Lester R. Brown: "The challenge facing the entire world is to design an economy that can satisfy the basic needs of people everywhere without self-destructing. The enormity of this task is matched only by its urgency."[26] Some of the most essential features of this task include finding alternative sources of energy, stabilizing climate change and population growth, as well as shifting to a predominantly reuse and recycle form of consumerism.[27] Considering the enormity and urgent need of such reforms, it is easily questionable as to whether any existing system of government, including the UN, is capable of rising up to the challenge.

Global Inequality and the Health of the Poor

Earlier in this document, I raised questions about statements alluding to supposed benefits of the current form of globalization, such as "low-

Recommended Readings

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www.christianchildrensfund.org

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ered cost of living" and "raised incomes." A deeper insight into the nature of these benefits yields important realizations. The claim "Lowering trade barriers allows trade to increase, which adds to incomes –national incomes and personal incomes"[9] deserves special consideration. The reality of this claim is well analyzed in a volume published by social scientists and health workers from around the world documenting the actual ramifications of the process on the populace: "Proponents of neoliberal principle argue that economic growth promoted through its policies will eventually 'trickle down' to improve the lives of the poor. Increasingly, such predictions have proven hollow. In many cases, economic policies guided by neoliberal agendas have worsened the economic situation of the middle class and the poor. Today per capita income in more than 100 countries is lower than it was 15 years ago. At the close of two decades of neoliberal finance in international finance and development, more than 1.6 billion people are worse off economically in the late 1990s than they were in the early 1980s.... In poor countries, economic benefits have flowed largely to the most affluent 20 percent of the population and to foreign corporations and banks. In the United States, where a significant amount of transnational profits come to rest, the wealthiest one percent of the population more than doubled its ownership of private wealth between 1976 and 1997, from 19 to 39 percent of total U.S. private wealth."[28]

Such figures, along with previously quoted statistics involving executive compensation, call into question the true nature of the stated raises in income on the personal level, for exampl, the wealthy gain the most, middle classes even out, and the poor, the ones most in need of income boosts, lose out. Further analysis of the raises on income on the national level is also revealing. According to the United Nations Commission on Trade and Development (UNCTAD), as a result of the implementations of the Uruguay Round of the GATT council in 1995 the world's poorest nations—the 47 least developed nations—will lose an estimated $163 billion to $265 billion in export earnings while paying $145 million to $292 million more for food imports. UNCTAD concludes that least developed nations fall behind in world trade not because of a resistance to openness but because of their inability to expand productive capability. [29]

Lowering the cost of living is also a claim that deserves further analysis. Although it is true that the process of globalization has marginal benefits to the consumer through lower prices due to decreased production costs (although most of the money saved from this goes to corporate profits rather than lowered prices), there are other effects of globalization that act very much towards raising the cost of living for large portions of the world's population. The mass import of industrialized agrobusiness to developing countries has the effect of creating a forced rural exodus displacing thousands upon thousands of farmers and field workers from their lands where they had been earning their living for generations. As these workers and their families are forced to move to urban areas, often the only places where work is available, their cost of living goes up and quality of life goes down. Such is the process that explains to a large extent the shantytowns that have grown exponentially on the outskirts of newly erected skyscrapers in towns all across the developing world.

The growing inequality and denial of resources to sections of the populations has a correlation with the health levels of countries around the world. Disease proliferates in communities lacking adequate housing, food, sewage, waste disposal, drainage, and clean water for drinking, cooking, and cleaning. With such basic needs unmet, members of these communities are susceptible to preventable fatal diseases such as diphtheria and tuberculosis. There have been significant gains in many areas of international health over the past fifty years, but at the same time there has also been significant stagnation or even decline in others. More than 50 percent of the people in the world's forty-six poorest countries are without access to modern health care. In 1998, two fifths of all the people who died in the world, died prematurely.[30] That same year the director of the World Health Organization (WHO) declared: "Never have so many had such broad and advanced access to healthcare. But never have so many been denied access to health. The developing world carries 90 percent of the disease burden, yet poorer countries have access to only 10 percent of the resources that go towards health."[30]

One of the main contentions of the aforementioned is that the gains in world health should not be measured merely by comparing today's aggregate health indicators with those of fifty years ago. Rather, recent gains should be put into perspective by asking why they haven't been even greater given the unprecedented wealth and technological innovation currently available. As widespread as the problem of infectious disease is, it is not the predominant threat to the health of the world. The number of lives taken by disease is second only to the number claimed by malnutrition. The WHO report of 1998 has observed that

9 The World Trade Organization official Web sites list of ten benefits of WTO policies available at www.wto.org/wto/10ben/10ben10.htm

10 King, Jonathan. "Dangers of Patent Monopolies on Food Crops." Lecture delivered at MIT on March 4, 2000

11 Wallach, Lori and Sforza, Michelle. *The WTO; five years of reasons to resist corporate globalization* Seven Stories Press, 1999: 53–54.

12 Eatwell, John and Taylor, Lance. *Global Finance at Risk: The Case for International Regulation* The New Press, 2000: 1.

13 Albert, Michael. "Z-magazine's WTO primer; a Q&A on the WTO, IMF, World Bank and Activism."

14 Millen Joyce V, Irwin Alec, and Kin Jim Yong. "Introduction; What is Growing? Who is dying?" *Dying for Growth: Global Inequality and the Health of the Poor* Common Courage Press, 2000: 9.

15 Global Sustainabilty bill available on Bernie Sanders' Web site: www.house.gov/bernie/legislation /imf/global.html

of the 31,000 children under the age of five who die every day in the world, 50 percent die from hunger-related causes. Eight hundred twenty-eight million people in the developing world are chronically malnourished, while 11.2 million in the United States cannot afford to feed their families. The report has also observed that the world's food supply has nearly doubled in the past forty years, a rate well in excess of the rate of population growth.[30] The problem of nourishing the world is far more a problem of distribution than it is of supply.

Alleviating these problems necessitates a reevaluation of the workings of the current system that takes more into account the effects of policies in the areas of health and nutrition rather than simply using economic indicators such as Gross National Product to determine success.[30] It would also necessitate a commitment on the part of the wealthier developed nations to adopt an aid policy towards the poorer nations that would promote increased standards of living and forms of sustainable development for those who need it most rather than promoting potentially disastrous neoliberal policies. Perhaps the most shameful aspect of this disparity in health and nutrition is the fact that the funds needed to cure them are relatively minimal. In 1998, the United Nations Development Program (UNDP) calculated that it would take less than 4 percent of the combined wealth of the 225 richest individuals in the world to achieve and maintain access to basic education, basic health care, reproductive health care, adequate food, safe water, and adequate sanitation for all people living on the planet.30 Independent organizations such as World Vision International and the Christian Children's Fund (see Recommended Reading 1) have set up programs with minimal government assistance that can feed, house, and give a basic education to a child in developing country for under a dollar a day. If an organized program was undertaken making use of coordinated international efforts, that number could be reduced even further. The relatively low cost of these initiatives brings to light another prospect.

When a government invests in improving the living standards of its citizens there is a law of diminishing returns. The higher the standard of living, the more resources it takes to raise that standard by another unit. By this model the same amount of funds poured into helping the population of a developing economy could raise its standard of living exponentially, more than if the same amount went to attempt to raise the standards of the wealthier sections of the world. This small reallocation of resources away from such items as corporate welfare (which effectively raises the living standards of the ultra rich) and military spending (which requires massive amounts of capital for marginal returns) towards aid programs in poorer sectors could very conceivably have increasing benefits for those sectors willing to partake in this practice. By raising living conditions, health standards and education there could be important steps made towards population control, better environmental practices and overall global security and peace. As the old adage goes, nothing is more dangerous than a person with nothing to lose.

The redistribution of resources and reengineering of the current system on a global scale is a major undertaking. Despite its predominantly noble intentions, recent history causes us to question whether the UN, the ruling international body of the past half-century, is up to the task of coordinating such a large operation. Aside from being designed so that little can be done without near unanimous approval, the UN in its entirety operates on a very modest budget that is dwarfed by that of most major corporations. It also faces the obstacle of member countries reneging on their dues (see Recommended Reading 2). The task at hand would require either the creation of a new organization or a major overhaul of the operating guidelines of existing organizations.

Conclusions

Globalization is a vast topic with such numerous ramifications that a small study such as this can only begin to give justice on the subject. There exists today the ability for worldwide regulation and management of resources and capital. To what extent those regulations will be implemented and in what form they will take are dependent on the priorities that are to be accomplished. The models set forth at the beginning of this paper still form the essentials of those choices.

If the priorities that lie within the model of the corporatization of the globe are those to be pursued– with the expectations that the world will be able to weather the storm of highly volatile financial markets, environmental disasters, growing inequality, and poverty, as well as declining health standards for millions (to continue with the unabated generation of corporate profits and individual wealth, while hailing the supposed benefits of a "trickle-down" economy)– then the current system and its continued development under neoliberal pretenses is increasingly fulfilling those priorities.

If the priorities lie within the model of corporate globalization then the current path should give the policy planners a number of things to

16 Anderson Sarah, Cavanagh John, Estes Ralph, Collins Chuck, and Hartman, Chris. "A Decade of Executive Excess: The 1990s. Sixth Annual Executive Compensation Survey." Available on Web site of United for a Fair Economy. www.ufenet.org/press/decade_of_executive_excess.html#top

17 Eatwell, John and Lance Taylor. "Global Finance at Risk; The Case for International Regulation" The New Press, 2000: 4.

18 Eatwell, John and Lance Taylor. "Global Finance at Risk; The Case for International Regulation" The New Press, 2000: 5.

19 Eatwell, John and Lance Taylor. "Global Finance at Risk; The Case for International Regulation" The New Press, 2000: xi.

20 Eatwell, John and Lance Taylor. "Global Finance at Risk; The Case for International Regulation" The New Press, 2000: 19.

21 French, Hillary F. "Assessing Private Capital Flows to Developing Countries." *State of the World 1998: A Worldwatch Institute Report on Progress Toward a Sustainable Society*. Norton. 1998.22 Wallach Lori and Sforza Michelle. *The WTO; five years of reasons to resist corporate globalization* Seven Stories Press, 1999: 28–30.

23 Wallach Lori and Sforza Michelle. *The WTO; five years of reasons to resist corporate globalization* Seven Stories Press, 1999: 34–35.

24 Brown, Lester R. "The Future of Growth" *State of the World 1998: A Worldwatch Institute Report on Progress Toward a Sustainable Society*. Norton. 1998: 3–4.

25 Chomsky, Noam. "Free Market Fantasies: Capitalism in the Real World." AK press audio. CD track number 4.

26 Brown, Lester R. "The Future of Growth" *State of the World 1998: A Worldwatch Institute Report on Progress Toward a Sustainable Society*. Norton.

worry about. Threats to the financial stability of markets as a whole, to the environment, and to worldwide living standards indicate the need for a reevaluation of both current policy and of the current economic system dominated by neoliberal principles. The need for financial regulation on a worldwide scale in the form of a World Financial Authority, as proposed by Eatwell and Taylor, the need for uniform environmental legislation and worldwide systems of sustainable development, and the need for an equitable system of resource distribution able to operate worldwide point toward the need for a new system of regulation and government on an international scale not seen before. The variety of different problems that need to be addressed may indicate that an overarching system of international governance operates more efficiently than a number of independently acting bodies would. The details of the form, mode of operation, and feasibility of this new system of governance are a matter left for another paper. There does, however, seem to be a couple of stipulations concerning the organization of this government that would be essential to its proper function. The first would be a system of greater accountability to the public than most current international organizations. The system of checks and balances that is, in principle, present in Western democracies is seldom seen in the institutions of the present day.31 The second would be a clear division of powers between this new level of governance and the existing national, regional, and local governments that would give the appropriate power to the international body to accomplish its mandate, while minimizing interference upon the sovereignty of existing states.

A drastic change to the way power in the world is divided is understandably difficult to conceptualize. The system of competing nation states has dominated contemporary history and shaped the world as we know it. For an international body to dictate policy over many facets of its conduct would be a significant change. It is important to realize, though, that nation-states are only a recent manifestation in the course of history. They only began appearing around the middle of the second millennium, approximately 500 years ago within Europe. They began to take shape when technology permitted governance over a greater area and when groups of individuals, generally within the feudal system or its derivative, acknowledged the opportunity for benefit that existed by banding together. Sometimes this realization of mutual benefit came about only when there was an outside aggressor threatening the continued existence of the concerned parties. The potential for nations to enter voluntarily into a significant system of mutual governance would most likely emerge from a similar acknowledgement of mutual benefits, or, rather, from a shared acknowledgement of the possible dangers from sources dangerous to them all.

1998: 4.

27 Brown, Lester R. Mitchell, Jennifer "Building a New Economy" *State of the World 1998: A Worldwatch Institute Report on Progress Toward a Sustainable Society*. Norton. 1998: 168–187.

28 Millen Joyce V, Irwin Alec, and Kin Jim Yong. "Introduction; What is Growing? Who is dying?" *Dying for Growth: Global Inequality and the Health of the Poor* Common Courage Press, 2000: 7.

29 Wallach Lori, and Sforza Michelle. *The WTO; five years of reasons to resist corporate globalization* Seven Stories Press, 1999: 55.

30 Millen Joyce V, Irwin Alec, and Kin Jim Yong. "Introduction; What is Growing? Who is dying?" *Dying for Growth: Global Inequality and the Health of the Poor* Common Courage Press, 2000: 4–5.

31Wallach Lori, and Sforza Michelle. *The WTO; five years of reasons to resist corporate globalization* Seven Stories Press, 1999:13.