

Early to Bed, Early to Rise, Work Like Hell and Globalize

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I. PREAMBLE – DEFINITIONS, AND METHOD OF ARGUMENT

Using the generally accepted academic definitions put forth by Harvard professors Robert Keohane and Joseph Nye, globalism “is a state of the world involving networks of interdependence at multi-continental distances. These networks can be linked through flows and influences of capital and goods, information and ideas, people and force, as well as environmentally and biologically relevant substances (such as acid rain or pathogens).”¹ Although assigned many different connotations and meanings, the term globalization simply denotes an increase in globalism. While some might quibble with this definition or the many others for whatever their convictions or interests, defining globalization with technical particularity is really not that important. However, we should recognize that globalization represents an increase in contacts – primarily of an economic nature – between the peoples of this planet.

Whatever globalization is, its importance lies in the arguably fundamental fact that globalization influences the foreign and domestic policies of nearly every nation on the planet. With this in mind, globalization has become an important paradigm that policy makers should strive to understand. Although globalization is relevant to scores of issues, policy making, and policy decisions, the really big question has yet to be adequately answered – is globalization a good thing? I began this paper believing that it is, but I based this assumption on my incidental contacts with the global economy. My understanding of globalization did not extend beyond my material enjoyment of the fruits of globalization – ranging from my Mozart compact discs to the juniper berries in my gin. While this paper began with the premise that globalization makes for good public policy, this did not dictate content. Rather, I put it out of my mind and collected a series of facts, theories, and ideas (both big and small, general and specific) and waited to see where they would take me. This inductive approach produced some surprising results and startling conclusions, as the research and writing processes evolved from trying to prove a general point and into a voyage of intellectual discovery. Sections III and IV explore the big ideas and theories driving globalization – international trade and capitalism. Our focus narrows in section V, where we examine the very real effects of globalization and its antithesis. Specifically, how globalization might help the world’s poor and how its antithesis hurts them. We will also look at the relationship between globalization, political forces, and special

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interests. Section VI discusses the relationship between globalization and its effects on the most powerful special interests – nation states. Having run the full gamut of globalization facts and theories, section VII debunks the widely held view that globalization is inevitable by demonstrating its historically cyclical nature, while section VIII addresses the prospects and consequences of breaking, or continuing, the historical cycle of globalization. Hopefully, after discovering what makes globalization tick and what it can do, we might agree that globalization is not so much good as it is essential.

II. INTRODUCTION

Globalization is often talked about and seldom understood, but it is nothing new. Unbeknownst to himself, mankind has been simultaneously advocating for and fighting against globalization for millennia. Globalization is neither a political force, nor an international conspiracy, but, rather, an expression of human nature. It has become such a salient issue today because for the first time in human history globalization has a fairly good shot of actually succeeding. Globalization means many different things to many different people – some good and some bad. Unfortunately, it is often portrayed in an anecdotal and destructive manner. A textile factory in North Carolina closes, a sweatshop in Thailand replaces it, and globalization gets the blame. The same happens when a Third World nation's currency collapses, and the government blames the outside world, rather than its own economic policies. The issues of globalization and international trade need to be understood, but special interests groups and anti-globalization protesters have hijacked these issues. This paper will attempt to analyze globalization and international trade in a general sense – where they come from, why they might be good or bad, why some people do not like them, and why most people should. It has been written to promote broad understanding of globalization, and on behalf of the six billion human beings who have the most to gain from it but, sadly, have no special interest group of their own.

III. GLOBALIZATION AS A PRODUCT OF HUMAN AND GEOLOGICAL NATURE

Although not wishing to trivialize the human (perhaps more animal) instincts of survival and self-preservation, most human beings cannot survive by themselves, or, at the very least, survive in even the most remedial degree of comfort. My survival and standard of living depend on a multitude of linkages between myself and scores of other people – some down the road, some on other continents – most of whom I will never meet. Human beings and the planet Earth are not homogenous. Creation has

scattered the skills and resources needed to make life livable and more comfortable to the four corners of the Earth. This represents a fundamental truth akin to a circle having 360 degrees. In short, humans form economic relationships with different people in different places because of the dispositions of our race and planet. While it certainly sounds somewhat silly, characterizing globalization as a product of “God’s Will” or that of nature is not entirely superfluous. Divinity aside, man has depended upon his fellow man and distant lands since the very beginning and will continue to do so until the very end.

A. “Global” Cavemen

Some form of globalization has existed since the very dawn of humankind. The push for globalization is older than capitalism, socialism, mercantilism, manorism, the city-state, and slash and burn agriculture. It is even older than money or any human institution resembling the most rudimentary government. Only the extended family or tribal unit predates it.² Trade did not begin between neighbors, but rather started at the Stone Age equivalent of the “international level.” Self-sufficient family groups had no need to barter with their neighbors occupying the same region. Aside from the occasional inter-tribal haggling over an exceptionally nice piece of bone or shinier-than-usual rock, these self-sufficient family groups had little reason to trade with one another. Although a multitude of tribal groups might occupy a specific geographical area, they shared the same types of resources common to that area.³ If a region abounded in berries, then families collected berries, and who would want trade if all you had to exchange were berries?

The first “global” trade rose out of the haphazard work of the Creator. With the unequal distribution of soil, minerals, and game, regional family groups sought trade to acquire the things they could not produce themselves from their own local resources. Trade, as we know it, started as foreign or international trade. Long before governments, consumers did not worry about buying foreign or domestic. They either traded for desired goods produced outside their region, or they went without. With no government imposed tariffs or barriers, individuals possessed the freedom to exchange the fruits of their region for those of others.⁴

Of course, globalization has become a lot more complicated since then, but the Stone Age example has a certain universal and refreshing appeal. No matter their race, ethnicity, or cultural disposition, every society on this planet has either been in this situation or still is. The average American, Frenchman, Indian, or Ugandan may all have different backgrounds or opinions on globalization, but they possess one thing in common – at different times their ancestors shared the same level of development and engaged in what was, for them, international trade. Contrary to popular belief,

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globalization is not an Anglo-Saxon invention, but an institution common and natural to all mankind.

B. Athenians, Anglo-Saxons, and Americans

International trade may make good sense for the tribe, but, although the extended family remains an important economic actor, larger and more complex economic and political units have evolved above it. Despite the increased sizes and intricacies of the village, city-state, and nation state, they all share one thing in common with Stone Age family groups – a vital need to trade with others. On the surface a typical 11th century Anglo-Saxon village, 4th century B.C. Athens, and 21st century United States have very little in common. These economies can almost act as self-sufficient (autarkical) units, but in each scenario a crucial element is missing. Not only do they benefit from trade, but they could not maintain their standards of living or levels of development without the aid of the outside world.

Hemmed in by thick forests, bad roads, and fear of spirits, the usual Anglo-Saxon village grew enough to feed itself and functioned as a sort of self-contained agricultural collective. Agricultural production depended upon distant iron for the blacksmith's forge and the preservative qualities of briny salt evaporated from seawater. At a time when a typical Anglo-Saxon might make a once in a lifetime trip to the next settlement only a few miles away, traveling peddlers brought steady supplies of salt and iron from sources that would have seemed a world away.⁵

Far more complex than a sleepy Anglo-Saxon hamlet, ancient Athens had all the salt, iron, and philosophy its people could consume, but the great city lacked the grain to feed its populace. However, the northern grain ships arrived regularly, unless menaced by marauding pirates, Persians, or Spartans.⁶

As the world's largest, most complex, and diverse economy, the United States does not want for domestic sources of most goods and services, but it cannot hope to function without foreign oil supplies. Any stoppage of foreign oil flows would probably throw the U.S. economy into a deep recession, which would take the global economy down with it.

No matter the level of political, economic, or social development, human society appears predisposed to trade globally. Whether they know it or not, people sometimes depend upon those they hate or even wish dead and vice versa.

C. Ideology, Bigotry, and Trade – Communists, the Klan, Saddam, and Al Qaeda

One might think that peoples with conflicting political, economic, or even religious ideologies would refrain from trade with each other, but trading benefits often

overcome ideological forces. The Soviet Union may have been committed to worldwide communist revolution, but it was not above buying U.S. wheat to feed its people.⁷ International capitalism has no greater critic than Fidel Castro, but he has been only too happy to relive bourgeois tourists of their hard currencies or part with his precious Havana cigars⁸ for ‘Yankee dollars.’⁹ Throughout the old communist world, membership in the nomenclature, or party elite, entitled its members to much more than a dacha in the country and a Zil limousine. Membership meant access to prized Western goods – Marlboro cigarettes, Levi’s blue jeans, Japanese electronics, and Scottish whisky.¹⁰

International trade has even overcome the darker sides of human nature – racism or any form of bigotry based on race or national origin. The most steadfast American Klansman, who spends his days refraining, “White power! White power!” nevertheless fills his pickup with Arabian or Nigerian oil. His wife’s engagement ring displays the hard work of black South African gold and diamond miners, while his trailer rests on wheels of Burmese rubber. Even his trademark white sheet and hood could have resulted from the joint efforts of an Indian cotton farmer and textile worker.

The greatest opponents of Western culture must check their bigotry when it comes to their own personal preferences. It has been reported that Saddam Hussein has an insatiable appetite for American gangster films – *The Godfather* is his favorite. He wets his whistle with fine Scottish whisky, likes to dance to Frank Sinatra’s “Strangers in the Night,” and his unofficial duties sometimes require a little help from Viagra.¹¹

No man has caused the United States as much grief and heartache as Osama Bin Laden. Paradoxically, he chose to attack the center of global trade that has brought him so much benefit. Saudi construction projects made the Bin Ladens rich, but they could not have completed them without imported American construction equipment. Ironically, he would have died years ago had it not been for American dialysis machines and the care of a British-educated Pakistani doctor.¹² Despite his intense hatred for the West, Bin Laden preaches “*jihad*” with the aid of Japanese cameras, and has forsaken traditional camels and horses for his preferred mode of transport – a Toyota Landcruiser.¹³

If international trade is natural and easily surmounts political, ideological, racial, and cultural differences, then why has it created so much fuss? The devil appears to be in the details. The peoples of this planet do not have a problem with international trade or globalization as an end but worry about the means of its implementation.

IV. THE MEANS OF TRADE AND GLOBALIZATION: THE INEVITABILITY OF CAPITALISM?

As seen in the previous section, trade need not involve capitalists or capitalism. The triumph of world communism would not have ended the need or benefits of intercontinental interdependence. However, trade, globalization, and capitalism have become inexorably intertwined. Capitalism's emphasis on free markets, competition, and comparative advantage accelerate the drive to integrate the world's dispersed resources and production possibilities. This section explores two issues: (1) like it or not, the world is probably stuck with capitalism as the only viable economic disposition, and (2) might capitalism and its component parts be misunderstood.

A. The World's Four Economic Models in 1990

In 1990, the economies of the world's nation states could be divided into four broad categories – mostly capitalist, communist, socialist, and the so-called capitalist development state.

The United States and United Kingdom epitomized the mostly capitalist countries. Although government retained an important role in the economy, the Reagan and Thatcherite “revolutions” greatly curtailed government intervention. The free market and “invisible hand” determine production and prices. Individuals remain free to choose what goods they consume or investments they make.¹⁴ Trade barriers are generally low, allowing foreign goods and capital relatively free access to domestic markets.¹⁵

In communist countries, like the old Soviet Union, Eastern Bloc, and contemporary North Korea, the state owns all means of production. Central planning, rather than market forces, decides what is produced. Unfortunately, without the information provided by profits and prices, central planners can never be sure of the type or number of goods demanded or where to send them.¹⁶ This results in shortages of all kinds of consumer goods and surpluses of “state goods” – military equipment, busts of Lenin, etc. Without choices, individuals can only buy goods when they appear and must spend much of their time waiting in long lines or resort to the black market.¹⁷

Socialist countries – sometimes called “competition states” in political-economic lingo – tend to mix markets and private ownership with various forms of state economic planning and ownership. The state is often the largest employer and relies upon high tariffs and trade barriers to protect domestic state owned industries. Currency controls limit imports and keep capital at home. The state strives for self-sufficiency, an equal distribution of wealth, and spends heavily on social programs.¹⁸ Varying forms of socialist economies still exist in many of the industrialized nations of Western Europe. The United Kingdom abandoned its socialist economy in the 1980s,

but many other European nations have been slow to do so. Outside of Europe, the socialist economy prevailed in much of South America, Africa, and India.

The capitalist development state (CDS) sits astride both communism and capitalism. While the state embraces markets and private enterprise, government planners strive for certain economic development goals. Planners select particular industries for support and encouragement, while discouraging others. Favored industries receive tariff protection, subsidies, or low interest loans. Although most industry may be private, the capitalist development state blurs the line between the public and private sectors. Capitalist development states are best represented by Japan, Korea, and the “tiger” nations of Southeast Asia.¹⁹

Although very different from one another, each of these four different types of economies engaged in varying forms of international trade. The trade remains, but three of the four economic models have either collapsed, face collapse, or can only survive with extensive modification. This is perhaps best exemplified by modern China, which appears destined to gradually transform itself from communism to capitalism, while making pit stops at socialism and CDS theory along the way.

B. Capitalism – The Last Man Standing

Most of world communism collapsed in 1991. Political and economic dissent had always existed in communist countries, but the prospect of a brighter tomorrow and a hardy state police and military apparatus managed to keep it in check. The brighter tomorrow had not been coming for decades, but the soldiers finally lost their nerve. Communism never functioned very well, but it could not function at all without oppression.²⁰ After 1991, wholesale state ownership and planning ceased to be a viable economic option.

Being mostly democratic, countries with socialist economic systems did not possess the same “oppression problem.” The state owned industries may have been efficient when built, but they gradually plunged into mismanagement and labor strife. Facing demands for higher wages, the high costs of social programs, high unemployment, and the their industries’ need for fresh capital, the socialist nations resorted to higher taxes and public borrowing. The higher taxes led to capital and professional flight. Unwilling to pay exorbitant taxes, many of the wealthy and educated emigrated to the more capitalist countries and found creative ways to take their money with them.²¹

The final demise of the capitalist development state has yet to be completed, as it is the youngest of the four economic groups. At one time, the capitalist development state held great promise, as CDS economies appeared to benefit from the best of capitalist and communist economic thought. Free markets grew resources and

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coordinated production, while central government planning guided the economy from the top. The government also provided cheap credit to banks, which passed on easy loans to favored sectors of the economy.²²

The tremendous growth in Japan, Korea and Asian “tiger” nations following World War II suggested that the capitalist development state might be the wave of the future. Unfortunately, the laws of economics have caught up with these Asian economies. Government planning can use capitalist hands, but it is still government planning. In the free market system, profit and loss informs investors where to put their resources. Integrated buildings, equipment, and people making obsolete or oversupplied goods or services have to be pulled apart (hopefully not the people) and rearranged for the production of desired or undersupplied goods or services. In the capitalist development states, the government has taken a leading role in deciding where resources should go. If an industry targeted for encouragement began to falter, the government propped it up with additional support or loans from friendly banks. Profitable industries given government support expanded past their market-determined levels of resource investment, while potentially profitable sectors of the economy suffered from under investment. The construction of the very fiber of the capitalist development state resulted in a massive misallocation of economic resources. The CDS governments tried to counter with more planning and cheap credit, but something had to give. The Asian financial crisis of the late 1990s began the process breaking resources free from their poor, unprofitable placement and bringing them into alignment with market forces.²³

Of the four economic groups, only capitalism has yet to fall flat on its face. Capitalism may have won the Cold War, and all other economic alternatives appear doomed to failure; but most of the world remains unfamiliar with capitalism but very aware of its enormous image problem.

C. Capitalism’s Image Problem – The Wealthy, Intellectuals, and Greed

1. Rich People

It would be an obvious understatement to say rich people evoke certain feelings of dislike. In all the world and centuries before them, most peoples have resented their wealthy compatriots and usually for good reasons. In ancient and modern times, men used the government to get rich. Why take the time, effort, labor, and capital to produce a good for exchange, when you can just take what you want instead? Generals, chairmen, and “el presidentes” have replaced the kings, emperors, dukes, and earls of old, but they, and their cronies, still perform the same racket. Worse still, these leaders reward their friends or unscrupulous businessmen who have supported them

with favorable treatment. Government support to friendly businesses limits competition, allowing the ruler's friends to grow fat from their inefficient monopolies.²⁴

These problems are not limited to third world or non-capitalist countries. In the United States, many a capitalist has welcomed government regulation or intervention in his perspective industry. Regulation increases the market entry costs for competitors. An honest businessman competes and makes his money by striving to produce cheaper and finer quality products for his customers. The "Robber Baron" enlists the help of the government to limit competition and keep his prices and profits high.²⁵

The problem is capitalism cannot function without rich people. In an ideal capitalist world, rich people are rich because they provide goods and services valued by others. A capitalist cannot acquire wealth through coercion. He must present the consumer with a good or service that he values less than the money he gets in exchange.²⁶ Those capitalists who invest their resources in producing the cheapest and highest quality goods and services reap the benefits. Through profit, the market entrusts these capitalists with more control over economic resources. Thus, those who have exhibited the greatest stewardship of resources are charged with how best to employ them. If a capitalist becomes lazy or arrogant and starts making poor investment decisions or neglecting his customers, then market losses will liberate economic resources from his control and allocate them to someone more competent. While the rich may always exist as a class, unlike aristocracies, membership is not carved in stone. Incompetent heirs have squandered many a family fortune and seen their economic decisions' rights passed to up and comers from the most humble of origins.²⁷

2. Academics and Capitalism

Understanding the intellectual or academic "bias" against capitalism requires very careful thought and tactful argument. Unfortunately, the limits of the English language necessitate the use of certain terms such as ignorance, arrogance, and conceit, which convey minimum connotations of unfriendliness, contempt, or spite. No matter the subject matter, "name calling" detracts from good argument and open debate. Labeling an opponent of affirmative action "racist" or one advocating the creation of Palestinian State an "Anti-Semite" makes for poor and unproductive argument. The argument outlining the intellectual bias against capitalism keeps this in mind, despite the unavoidable use of loaded and seemingly confrontational language. They are used, not out of spite or anti-intellectualism, but because of the unavailability of "cuddlier" diction.

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Intelligence has always been a double-edged sword. While the benefits and worthiness of intellect's leading edge is not in dispute, the trailing edge sometimes translates in to "the fatal conceit" – the belief that the whole economy is knowable and can be directed by worthy intellectuals.²⁸ This is a general notion and does not point to any particular school. Unfortunately, the fatal conceit appears to come with intellectual territory. It is not surprising that academics find state economic planning or intervention appealing. Market forces appear arbitrary, nebulous, and confusing, while planning can be rationalized, analyzed, and carefully directed through thoughtful execution. The altruistic academic feels that he, and those like him, can better direct the economy for the greater public good. The needs of the people should come before profits. The market directs economic resources towards the production of "useless goods." The rich pour precious labor and capital into the construction of yachts, second homes, or attempts to fly around the world in hot air balloons, while the poor lack for the basic necessities of life. Rational economic direction should allocate limited resources according to the principles of social justice, rather than the pursuit of profit or conspicuous consumption.²⁹

Of course, being the most enlightened and educated and not wanting for their own personal gain, academics are best suited to play the role of "philosopher economists" and direct resources for the material benefit of the little people. While noble, such thinking ignores the fundamental limitations of human intellect. Even the most gifted academics cannot possibly realize the complexity of the economy. Every human being has different wants, desires, skills, and interests.³⁰ Participants in the market economy communicate their subjective values and needs through buying and selling. As prices rise and fall, armies of middlemen scurry to direct millions of goods where they are most valued and away from where they are valued less. Producers follow the prices and adjust their output accordingly, while capitalists seeking profits invest their capital in the production of goods or services most valued by consumers. Rather than relying on the minds of a few, the market employs the collective brainpower, values, and skills of millions or billions of people, most of whom have never spoken with each other.

Fewer in number, academic economic planners are not only limited by a smaller pool of brainpower, but lack the information provided by the price system to plan rationally. Through careful study, a planner may decide how much steel a nation needs to produce or how much corn to plant, but planning becomes more difficult as the number of required goods multiplies. If a new steel plant is required, then the planner must secure millions of component parts. He has to calculate the quantities and order the production, transport, and delivery of thousands of bolts, screws, tubes, and wires of different shapes, sizes, and standards. The planner cannot know everything. He cannot understand the difficulties associated with producing each component part or the relative skills of those making them. Quality, efficiency,

innovation, and safety suffer. Furthermore, the planner has no way of knowing if he is wrong. Falling steel prices would tell a capitalist not to invest in a new plant, and those foolish enough to stake their riches would soon find themselves deprived of them. Safe within the economic bureaucracy, the planner enjoys protection from market forces. The state can deprive a poor planner of his control over resources, but, unlike the market system, this is not guaranteed. He may have powerful friends or pass the blame onto a subordinate.³¹

Without the direction of market forces, supposedly rational planning decisions produce waste and decidedly irrational results. Former Soviet Premier Mikhail Gorbachev once witnessed Russian children playing soccer with a ball made of bread. In the interests of social justice, Soviet economic planning directed resources towards the necessities of life and away from frivolous goods. Bread may have been plentiful and soccer balls scarce, but bread makes for a poor game of soccer. Strangely, shifting resources away from bread production and into soccer balls would have left the Soviet people no less hungry with better games to play.

Academic planners fail to understand the workings of the free market and erroneously believe that they can do better. State economic planning by even the brightest of minds has failed miserably. While the market utilizes and communicates the knowledge of every participant, planning remains dependent upon the minds of those at the top. Despite the clear failure of planning, the debate over its merits will undoubtedly rise again. As mankind becomes more technologically advanced, the advocates of planning will supplement their limited pool of intellectual capacity with more powerful computers and more extensive databases of information. Whatever the power of these future machines, they will not be able to read consumers' minds and fail just as badly as the humans who came before them.

3. Corporations

Corporate critics commonly charge that corporations put “profits before people.” “People” should probably be taken to mean everyone outside of the boardroom – shareholders, workers, consumers, and the public at large. However, in free market capitalism, the corporation either has to put people before profits or have no profits at all.

As storehouse for the economic resources of investors, corporations must remain responsive to their shareholders. Like the individual capitalist, a corporation that fails to use its resources wisely will lose the confidence of its investors, who will take their money to more competent corporations.

Consumers do not have to give their money to corporations. They choose to do so as long as they receive a good or service of higher subjective value than the money

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tendered. If a corporation seeks profits, then it must convince consumers to buy its products. Therefore, a corporation must fully understand the subjective values of its customers. If it raises prices to improve quality when consumers place a higher subjective value on price, then profits will suffer. If consumers value quality, rather than price, then they might turn away from inferior goods at cheaper prices. In order to profit, a corporation must put its customers first. A corporation cannot survive unless it continuously innovates and strives to better fulfill the wants and needs of its customers.

To many corporations, customers and the general public are one and the same. Corporate responsibility extends beyond its goods or services. When calculating his or her subjective value for a particular good, a consumer is not bound by mere price or quality. He or she may place a greater value on other things. Knowing that a corporation has a terrible environmental record, an environmentalist may prefer products of higher price and/or inferior quality from a “greener” company. African Americans can choose to boycott corporations who have discriminated against blacks, while Muslims might decide to withhold their dollars from corporations doing business with the Israeli government.

Even if a corporation caters to relatively few customers, it cannot take the general public’s goodwill for granted. If the public holds a corporation in low esteem, then an otherwise indifferent consumer may not wish to be seen doing business with the corporation or using its goods or services. The morale of the corporation’s workers may also suffer, leading to human resources problems and low productivity.

Workers are often characterized as the most visible victims of corporate greed. In their relentless pursuit of profits, corporations lay off thousands of workers and force those who remain to work longer hours for less money, or they remove their operations to Third World countries with cheaper labor and cheaper working conditions.

However, corporations cannot profit without their workers and must satiate their needs. Unhappy workers neither labor productively or safely. Work stoppages and labor strife leave valuable capital idle and cost fortunes. Heavily dependent upon the continued support of shareholders, customers, and the general public, corporations cannot afford to ignore their workers. Corporations are consumers of labor and must convince individuals to work for them. When a corporation lays off workers, it writes off the huge amounts of money it has invested in them. Therefore, a corporation in search of profits has incentives to retain workers and keep them happy.

Anti-globalization protesters may reject capitalism and despise corporations, but capitalism destroys far more corporations than protests or government action. In the free market system, a corporation lives at the mercy of its shareholders, workers, customers, and the general public. If any one of these four groups withdraws its support, then the corporation will likely fail.

However, the automatic failure of corporations negligent in their duties is dependant upon the unfettered application of market pressures. Not surprisingly, corporations try to insulate themselves from the free market forces that can so easily destroy them. They can achieve this end through two primary means – cheating and the political process.

Corporate cheating, or corporate crime, has been very much in the news lately, and generally involves the use of false information to distort or mislead market forces. Through cheating, corporations can temporarily convince the market that they are using their economic resources wisely. Dubious accounting practices exaggerate profits and hide losses. Investors continue to trust the corporation, while unscrupulous management unloads their personal exposures. The market cannot be fooled for long, and the results have been catastrophic. The recent and spectacular failures of Enron, WorldCom, and Global Crossing demonstrate the ultimately fatal and futile nature of cheating.

Although initially confused by cheating, the market did eventually “get its man,” but the damage had already been done and is not easily discounted. Market justice only goes so far – the cheating corporation dies, while no one would seriously contemplate hiring its disgraced board of directors. The good news is that corporate cheating can be remedied easily.

The offending managers have already committed professional suicide, but civil and criminal litigation should punish them further. Through private lawsuits, defrauded investors and jobless employees can deprive corporate crooks of their ill-gotten gains, while government criminal charges deprive them of their liberty.

Despite the strength of these legal deterrents, perhaps the greatest weapon against corporate cheating lies with the collective power of shareholders. In the future, individual shareholders or their fund manager fiduciaries should demand greater transparency and accurate information from corporations or withhold their economic resources. If such action is taken, then market forces will compel corporations towards greater transparency and honesty. Economic resources will flow only to the most honest and accountable corporations, while their less scrupulous and more secretive competitors wither on the vine.

Use, or some may say abuse, of the political process offers corporations a much better chance of protecting themselves from market forces than cheating. Government protection is not only legal but can be permanent. With government help, a corporation becomes less dependent on its customers and shareholders. Government may grant monopolies, subsidies, protective tariffs, or engage in extensive regulation that delivers economic rents for corporations by limiting competition. Consumers either have no other alternatives or base their purchasing decisions on market information distorted by government intervention.

Corporations often complain that government regulations will put them out of

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business, but this is not always true. Generally, regulations drive up production costs and put some firms out of business, but those who remain face less competition. The higher costs also deter new firms from entering the market. When regulating prices, the government will sometimes guarantee a firm a fixed profit margin. These firms have no incentive to improve their products or better serve their customers. Protected corporations are shielded from more innovative upstarts and will not fail.

Government regulations may have merit, but their means of implementation often open the door for corporate abuse through political means. Like any rational economic actor, it should be accepted that corporations will act selfishly and be “greedy.” However, in the free market, a corporation’s greed forces it to better serve its customers. Once the corporation has acquired adequate political protection, then customer service morphs into customer exploitation. Much like the rich, corporations have acquired a rather dubious reputation, because governments have granted them opportunities of exploitation. While corrupt corporations such as Enron or Global Crossing supposedly expose the dangers and failings of the capitalist/free-market system, the demise of these corporations demonstrates the system’s superiority and effectiveness. These firms cheated, and the market destroyed them. Had Enron been owned by the state, it probably would have been bailed out with public money and would still be open for business.

Despite the apparent recent victory of capitalism, the search for alternatives will probably not cease anytime soon. Although these alternatives will inevitably fail, the building blocks of capitalism will continue to garner resentment and distrust until their critics either fully understand them or learn to separate political and economic profit.

V. WHO REALLY HURTS THE WORLD’S POOR – DE-GLOBALIZATION AND SPECIAL INTERESTS

The desire to avoid market forces and profit by political means does not stop with corporations but extends throughout the economy and to most economic actors. Whatever the political system, the world is full of special interests seeking government protection from free market pressures. The rise of globalization and increasing flows of international trade and investment have strengthened the hand of the market and earned the ire of special interests protected by their governments.

It has often been argued that the wealthy nations of the West should furnish the underdeveloped Third World with large amounts of foreign aid. This is only fair and socially just, as the West dominates high value economic sectors such as manufacturing, technology, and finance, while importing low value raw materials from finite Third World sources.

The Third World possesses resources and people. These people may not have much access to education, but they have been born with the same array of natural talents granted their Western counterparts. The wealthy nations of the world were once in this very same situation. The modern, bustling economies of the United States and Great Britain grew from agrarian bases, and they did so without the benefit of foreign aid. Third World development should progress accordingly, but First World subsidies and tariffs nip them in the bud.

A. Western Agricultural Interests

While ample foreign aid may ease the consciences of comfortable Westerners, it does not solve the problem of Third World underdevelopment. The economic success of Western industries does not harm the Third World, but the political success of Western agriculture does. Agricultural interests in the United States and European Union wield tremendous political influence. In the United States, farmers derive their power largely from the representation guaranteed rural states in the Senate. Although representation in Europe is more proportional, European farmers often substitute their lack of votes with periodic doses of agricultural militancy. In all fairness to Western farmers, there does exist a certain societal consideration for the family farm as a cultural institution and a nostalgic desire to support it. Furthermore, the turbulent nature of history has made European governments sensitive about their farming sectors and predisposed towards agricultural self-sufficiency.

Whatever the political considerations and motives, most Western countries heavily subsidize their agricultural sectors and erect trade barriers and tariffs against agricultural imports from Third World nations. While these wealthy countries give with foreign aid, they take with their agricultural policies.

1. The Agricultural Sector – Sowing the Seeds of Economic Growth

The industrialized economies of the West sprung from agrarian bases. Increased agricultural efficiency produced surpluses, which led to capital accumulation and greater division of labor. As food prices fell, capital and labor moved away from agriculture and into manufacturing.

Unfortunately, First World subsidies flood Third World nations with cheap foodstuffs and undermine their agricultural sectors. On the surface, this may appear to be a good thing, as Western nations are essentially paying Third World consumers to eat their surplus foodstuffs, but this benefit largely applies to poor countries with large urban populations that traditionally depend on imported food.³²

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More than one-half of the world's extreme poor depend on agriculture for their livelihoods, and three-quarters of the poorest 1.2 billion live and work in rural areas. In a sample of 40 developing countries, agriculture accounted for more than 50 percent of export earnings. In dominating the domestic agricultural markets of developed and developing countries alike, the subsidies and tariffs employed by rich countries destroy not only Third World domestic demand for homegrown agricultural products but their export markets as well.³³

In terms of economic activity Third World nations are definitely poor, but many abound in both human and natural resources. Their poverty springs from a lack of capital needed to effectively develop and realize their natural, physical, and intellectual potential.³⁴ International trade can provide the capital,³⁵ but, due to their heavy dependence on agriculture, most poor countries can only offer farm products in exchange. The denial of export markets for agricultural products forces Third World countries to rely almost exclusively on raw material exports. This not only halves export earnings, but some of these earnings must go to pay for imports of subsidized foodstuffs. The fact that many Third World governments own and operate their raw material firms further exasperates the problem. Export earnings flow to state owned firms and are siphoned off by the government, which is not likely to turn its precious hard cash over to entrepreneurs, farmers, businesspeople, or anyone else seeking needed foreign capital goods. While the government could conceivably employ foreign earnings for legitimate purposes, these monies often end up in the pockets of government elites, who export them in exchange for foreign luxury goods or the military equipment necessary for political survival. For example, in Angola's fiscal year 2001, \$900 million, or three times what Angola received in foreign humanitarian aid in 2002, "disappeared" from government coffers – bringing the total to over \$4 billion for the last five years. Reported revenues from Sonangol, Angola's state oil company, did not match receipts, indicating that individuals in the Angolan government have employed dubious accounting methods to channel funds into their own private bank accounts.³⁶

Deprived of funds, the state owned industries have little to invest in new equipment or expanded operations and gradually deteriorate. As export earnings dry up, a Third World government may court foreign investment. However, deteriorating economic conditions foster civil and political strife, and Third World governments have a nasty habit of nationalizing foreign assets. Foreign firms do not invest, forcing the government to borrow heavily at high interest rates. Eventually, the nation starts exporting what little capital it has to service these debts and becomes caught in a vicious cycle of debt, poverty, and probably violence.

2. The Expense and Destructive Power of Western Agriculture

The world's richest nations may forgive these debts and increase foreign aid, but this does not solve the problem of Third World economic development. Even the most generous aid packages come nowhere close to paying for the damage inflicted on Third World economies by agricultural subsidies. By 1999-2001, annual, aggregate agricultural support spending by Organization for Economic Cooperation and Development (OECD) member countries³⁷ had risen to \$330 billion a year – five times the global aid budget!³⁸ In 2001, European Union taxpayers and consumers spent over \$93 billion on agricultural producer supports, while the United States spent \$49 billion and Japan \$47.2 billion.³⁹

The European Union ranks as the worst offender. European beef and veal exporters receive 76.95 percent of their income from the EU's Common Agricultural Policy (CAP), while wheat exporters depend on 53.77 percent.⁴⁰ The average European dairy cow earns \$2.20 a day from the EU, which is more than the per capita income of half of the world's human population. The EU spends enough money on CAP to give all their 21 million dairy cows a two week Caribbean cruise or fly them on an eleven city around the world tour with over \$600 in spending money each.⁴¹ Thanks to CAP, exported European wheat sells for 34 percent below production costs. Skimmed milk powder goes for about one half, and white sugar sells for 25 percent of what it cost to make.⁴²

These export subsidies have a devastating effect on the agricultural economies of Third World countries. For example, between 1992 and 2000 Jamaican imports of European milk powder rose from 1,200 to 6,300 metric tons. The Jamaican government imposed a 50 percent tariff on European milk powder in 1996, but domestic Jamaican milk production still fell by 35 percent in 2000 and 2001. The subsidy hit the smallest Jamaican dairy farmers the hardest. From 1996 to 2001, small-scale milk production collapsed from 2.5 million liters to just over 300,000 liters per year.⁴³

In 1975, the European Union imported most of its sugar. Although not geographically disposed for efficient sugar production, annual CAP sugar subsidies of approximately \$1.6 billion have made the EU the world's second largest exporter of sugar. It has been estimated that these subsidies have depressed world sugar prices by 20-40 percent.⁴⁴ Even without modern farming technology, equipment, and government support, South Africa's 49,000 small sugar cane farmers⁴⁵ can produce a ton of sugar for \$250-300. It costs their European competitors \$600 to do the same with modern farming implements. South Africa may possess some of the best sugar cane growing conditions and lowest production costs in the world, but EU subsidies have driven many South African cane farmers out of business.⁴⁶

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The destructive effects of European agricultural subsidies go far beyond anecdotal evidence from Jamaican milk or South African sugar. Recent estimates of the effects of CAP on developing countries (excluding Latin America) found that EU milk subsidies have decreased the developing world's production of milk products by 50 percent and their milk product exports by 90 percent. Thanks to CAP, developing countries have seen their exports of livestock fall by nearly 70 percent, meat by nearly 60 percent, and grains by over 40 percent.⁴⁷ However, these are only the losses attributable to the \$93 billion spent on CAP. The effects of the \$237 billion spent by non EU OECD member countries on agricultural supports has yet to be calculated.

3. Can Third World Farmers Compete?

Even if the entire world decided tomorrow to ban all agricultural subsidies, tariffs, and trade barriers, would not the technological and equipment advantages enjoyed by Western farmers allow them to continue to dominate world agricultural markets? The answer is no. Depending on the commodity grown, Third World farmers without western equipment or techniques still enjoy the advantage of more favorable climates. A South African sugar cane farmer with less than 30 hectares of land and a machete can produce a ton of sugar at half the cost of a large, capital-intensive European sugar beet farm.⁴⁸ Furthermore, dramatically lower labor costs give Third World farmers a decisive advantage, especially in the production of labor-intensive commodities.

Without their protective tariffs and subsidies, many Western farms will fail and cause OECD agricultural output to fall. This will force up the prices of agricultural products and benefit Third World farmers. With their domestic and export markets restored, Third World farmers, and not their governments, can exchange their products for Western capital. The costs of research and development of advanced techniques and equipment has already been paid for in the West, and farmers in developing countries will not have to bear them. As they accumulate capital, Third World farmers have the option of banding together and purchasing surplus equipment from defunct Western farms at knock down prices.

Genetically modified crops hold great promise for the developing world and could effectively negate the advantages held by Western farmers. GM seeds have become more resistant to pests and drought, reducing the need for expensive fertilizers, pesticides, and irrigation equipment. Not surprisingly, European farmers have expressed the greatest opposition to genetically modified crops. The success of GM crops would do much to level the playing field between First and Third World farmers.

4. Dealing with Militant European Farmers – Carrot or Nightstick

While the eradication of agricultural tariffs and subsidies would place the Third World on the road to economic development, it would come at the expense of Western farmers. First World farmers may be politically powerful, but, fortunately, there are not very many of them. More than 50 percent of the population of the developing world makes a living from farming. In some countries this figure rises to over 80 percent. European Union agriculture only employs just over 4 percent of the workforce and a mere one percent in the United Kingdom.⁴⁹ However, telling seven million EU farm workers⁵⁰ that the loss of their jobs will benefit hundreds of millions of the world's poor is unlikely to make them any less angry.

The good news is that abolishing CAP would free up billions of dollars to buy off farmers with unemployment benefits and/or job training. Large farms comprise 20 percent of all European farms but receive about 70 percent of CAP funds. There are twice as many small farms, but they only get 8 percent of the money.⁵¹ It has been estimated that the Duke of Westminster – the richest man in the United Kingdom – receives nearly \$1 million a year in CAP benefits.⁵² Statistically, the average European farmer receives \$16,000 a year in EU support⁵³, but 70 percent of farmers receive less than \$5,000 annually.⁵⁴ If the EU abolished CAP and set aside its funds for the benefit of displaced agricultural workers (and not large landowners like his grace the duke), it could actually pay them more than they likely received from subsidies and farming combined.

These monies may or may not dissuade most militant farmers from violence or disruption, but, as European families tire of spending an average of \$1,250 a year in taxes and higher food costs,⁵⁵ governments might garner popular support for firmer measures. Furthermore, reduced food costs would increase the disposable incomes of families and stimulate the production of other goods and services, potentially creating alternative jobs for displaced farm workers.⁵⁶

Of course, farmers from OECD countries other than the EU would face similar difficulties, but farmers in the United States and Canada generally receive less protection⁵⁷ and are not as prone to organized violence as their EU counterparts.

B. Two Birds, One Stone – How U.S. Tariffs Simultaneously Hurt the Foreign and Domestic Poor

The United States has generally adopted low tariffs and free trade, but the Europeans have suffered enough criticism; and it is important to show that low tariff aggregates can be misleading. Furthermore, the byzantine nature of U.S. tariffs demonstrates how specific tariffs can stifle industrial development in the Third World

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– harming poor Third World workers and poor First World consumers.

Not surprisingly, American trade policy appears to mirror the strengths and weaknesses of special interests. The United States does not grow coffee or tea, but is home to millions of coffee and tea drinkers. The American coffee and tea farmers lobby does not exist, but coffee and tea consumers are represented through the distributors and coffee houses that sell to them. Subsequently, tariffs on coffee and tea are almost non-existent. Even the existence of a strong lobby does not equate to high tariffs or protectionism, as long as competing interests counter the particular lobby. Although the United States grows no coffee or tea, it does possess established domestic aircraft, computer, oil, and metals industries. One would think that these interests enjoy tariff protection, but they do not, as more powerful consumer interests outweigh them. If Texas oilmen push for an advantageous oil tariff, the refining industry rises in opposition, while politicians worry about the American public's and economy's hypersensitivity to higher gasoline prices. American business would not take kindly to tariffs on computers, while manufacturers feel likewise about tariffs on metals.⁵⁸

At about 2.8 percent per dollar of imports, the United States employs some of the lowest tariffs in the world,⁵⁹ but this does not preclude political process failure in U.S. trade policy. Tariffs on clothing and shoes average over 11 percent and rise above 40 percent on some articles.⁶⁰ Eleven percent may not seem like much, but this average figure does not tell the whole story. Expensive clothing articles made of silk face tariffs of between two percent and three percent, while those made of cheaper artificial fibers encounter tariffs varying from 16.2 percent-32.5 percent.⁶¹ Ski boots are duty free, while tariffs on golf shoes run between five percent and ten percent. However, cheap canvas shoes and sandals selling for less than \$6.50 a pair face tariffs of 37.5 percent-48 percent, and, depending upon the particular shoe, these tariffs can go as high as 66 percent.⁶²

Tariffs on shoes and clothing express the political process failure inherent in globalization. The tariffs protect American textile and artificial fiber industries, but the consumers of cheap clothing pay for them. The benefits are concentrated among the protected industries and the U.S. Treasury, while assigning the costs to millions of consumers. The burdens fall heaviest on poor families and single mothers, who have little in the way of political clout and more pressing political objectives other than trade liberalization.⁶³

Poor American single mothers are not the only victims trading special interests and political process failure. American tariff policy often benefits wealthy trading partners, while burdening poorer ones. U.S. business interests value semiconductors and surgical equipment produced by skilled labor in industrialized Singapore and pay only a 0.6 percent tariff.⁶⁴ Most of the Third World lacks the skilled labor and infrastructure needed to produce these high-end goods. If the Third World is to industrialize and subsequently prosper, then it must build from its production

possibilities – primarily its large pools of unskilled labor. Just as Western agricultural policies undermine Third World agriculture, Western trade policies impede the development of Third World Manufacturing. After being reduced to practically nothing by civil war and Maoist economic policies, the Cambodian economy has recently been revived mainly through international trade. Two hundred thousand Cambodians (nearly two-thirds of the workforce) have found employment in new garment factories. One would hope that the United States would encourage the Cambodian recovery, but the government penalizes poor Cambodian garment workers with average tariffs of 15.8 percent⁶⁵ – or 30 times higher than gourmet smoked salmon, jet engine parts, or crude oil from wealthy Norway.⁶⁶

The cause of Third World poverty has gained much attention in the West among grassroots organizations and the involvement of celebrities. These groups have primarily lobbied for debt relief and increased foreign aid. Although they certainly mean well and do not appear motivated by selfish interests (other than personal satisfaction), these groups have largely missed the most important issues. While debt relief and foreign aid are arguably noble causes, there are better ways to help developing countries. The problems lie with existing Western government policies, not those yet to be enacted. If these advocacy groups and their rock star spokesmen really want to help the people of the Third World, then they should apply pressure to Western governments to dismantle their protectionist agricultural and industrial policies. This might be enough to tip the scales against the special interests and correct globalization's problems with political process failure.

C. International Comparative Advantage – What is Waiting in the Third World

Despite the plurality of views regarding the creation of the universe and the origin and meaning of life, man must accept certain fundamental facts. One, individual humans are born with unequal abilities to perform various kinds of labor. Two, the forces of nature have unequally distributed the Earth's geographical and geological, nonhuman opportunities of production. Three, even the most gifted man cannot accomplish certain ends without the joint effort of others.⁶⁷ The isolated actions of self-sufficient individuals lack the efficiency and productivity of cooperative action. The combination of unequal human and nonhuman natural conditions allows division of labor to increase output per unit of labor expended.⁶⁸ Thus, the synergy of individual differences into collaborating groups increases their power beyond the mere sum of their individual efforts.⁶⁹ Larger cooperation allows the harnessing of broader diversity and increased specialization, which, in turn, fosters greater experimentation, collective knowledge, and productivity.⁷⁰

Globalization presses for the creation of one giant cooperative group

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encompassing the diverse skills, knowledge, and talents of every human being. Most of the world's population lives in poor countries with relatively little specialization and high levels of subsistence farming. As we have seen in Europe, high levels of specialization allow four percent of the workforce to feed the domestic population and those of other countries.⁷¹ The failure of specialization and division of labor to take hold in the Third World has condemned hundreds of millions of potential doctors, philosophers, engineers, inventors, poets, artists, etc. to an occupation unbecoming their natural talents.

Since economic development and high levels of specialization have been restricted to relatively small pockets of the world's population, one cannot begin to fathom the power and awesome potential of worldwide division of labor, specialization, and global cooperation. For example, the modern United Kingdom accounts for less than one percent of the global population, but the British population has long been bound together into a single cooperative and highly specialized economic group. As the English economy developed, it created new specialties and opportunities for previously dormant human talents. Despite its relatively small size, the ability of this sliver of the world's population to harness the natural gifts of its individual members allowed this seemingly insignificant island to develop the industrial revolution, modern representative government, and a wealth of literary, philosophical, and technological knowledge. While these advances are attributable to the talents of the British people, the same diversity and pool of talent exists in every human cooperative group of similar size. Had the peoples of Sub-Saharan Africa developed a cooperative group with high levels of division of labor, modern industry, Parliament and Shakespeare could have just as easily originated in Africa. The coming together of one global cooperative group would multiply the talent pool of the English example by at least 100 times. Utilizing the relatively limited talent pools of the most developed nations, humanity experienced unprecedented technological growth over the last 200 years. If globalization succeeds, the talent pool expands from mere hundreds of millions to billions, and the prospect of productivity and technological gains in the next 200 years advances past precedent and into the realm of the unconscionable.⁷²

Through the free market process, globalization will entrust production of various goods to the regions of the globe with the best human and nonhuman production opportunities. Unfortunately, centuries of government interference and market manipulation have concentrated the production of most goods away from these opportunities. In a globalized world, economic resources tied up in inferior production opportunities cannot compete with those committed to better ones, and must find a competitive means of employment. The market "destroys" the failing combination of economic resources and reassembles its component parts where they can be employed more productively. This process of "creative destruction" allows for increased production from the same or fewer resources.

Creative destruction is economically rational and natural, but not quite as sanitary as it sounds. Many more people will win than lose from the global realignment of production, but there will be losers with very real lives and very real political representation. In industries harmed by globalization, unions lose membership, while management and shareholders pay relocation costs and live with the stigma of having “exported” jobs. If a country experiences the failure or export of an industry to a country with better natural production opportunities, then the liberated economic resources of the “losing” country should gravitate towards the production possibilities it enjoys. Theoretically, the political influence of unions and companies benefiting from increased exports or cheaper imported inputs should counterbalance the influence of unions and companies harmed by globalization, but these competing interests do not balance in practice. The interests of those in harm’s way have long been vested and provide ready sources of political influence – money, jobs, votes, etc.⁷³ Those benefiting from globalization will only realize benefits after the fact. For example, suppose the United States holds the world’s best production opportunity for automobiles and Mexico possesses the best production opportunity for televisions, but, due to traditional protectionist measures both countries have their own television and automotive industries. American television and automotive industries employ 10,000 and 5,000 workers respectively, while their Mexican counterparts employ 5,000 and 10,000. If both countries globalize, the American television industry and the Mexican automotive industry fail – initially costing each country 10,000 jobs. The removal of trade barriers and the greater efficiency of American and Mexican industries make autos cheaper in Mexico and televisions cheaper in the United States – stimulating demand for both goods. American automotive and Mexican television employment expands to 20,000 a piece.

At the end of the process, the United States and Mexico enjoy more jobs and cheaper, higher quality goods, and the political decision to globalize appears a clear “no-brainer.” However, political realities make even this tidy example unattainable. Upon hearing that the United States and Mexico are close to an agreement, 10,000 angry workers descend on Washington and Mexico City, and the 15,000 strong future automotive workers of America and future television workers of Mexico do not exist to meet them.

Globalization will help both Third and First World poor. It will create new jobs and industries, but it will also destroy existing ones. Despite all the advantages and the perceived inevitability of globalization, it cannot succeed without overcoming vested special interests. These interests are stacked against it, as is the disposition of most modern nation states.

VI. GLOBALIZATION AND THE NATION-STATE: WHY MOST PEOPLE

SHOULD WELCOME THE EROSION OF STATE ECONOMIC SOVEREIGNTY

As globalization makes the world more interdependent, international market forces gradually strip nation states of some of their control over their domestic economies. Naturally, states are not fond of this idea, but it can bring important benefits for nations and their peoples. Nation states are the world's most powerful special interests, and losing some control appears detrimental to these interests. However, the loss of certain economic powers to globalization can benefit nation states and, more importantly, the peoples they represent.

A. The Demise of State Industry – Ending the State's Conflict of Interest

Many countries exact a high level of economic control through state ownership of key industries. If the industry is profitable, then the government can raise some of its revenues without resorting to taxation. Even unprofitable nationalized firms might have benefits. The government might use the firm as a source of political patronage or expand it to provide jobs during an economic downturn.

Unfortunately, state owned firms have historically proved burdensome and inefficient. As both owner and regulator, governments face a conflict of interest when dealing with their own firms. If a government benefits from its direct ownership, it is more likely to look the other way while the firm cuts corners on safety or exceeds environmental standards. With their interests vested in the firm, governments pass laws granting their businesses special privileges and protection from competition. Often subsidized and sheltered from market forces, state owned industries can usually afford to pass on inferior and/or expensive goods and services to their customers without fear of failure. This results in the misallocation of economic resources to nationalized interests that could better serve the welfare of the country elsewhere.⁷⁴

The privatization of state owned firms benefits both government and people. Sale of the firm's assets provides the government with revenue or frees up funds that had been used to cover its losses and liabilities. This can be especially helpful for underdeveloped countries with limited financial resources. For example, the Tanzanian government once owned 400 companies. The government had hoped state control would bring revenues, while the people's technical ownership of the means of production (by way of the government) appeared, in theory, socially and economically just. Unfortunately, by 1993, only a handful of the 400 firms managed to turn a profit, forcing the government to provide huge subsidies to keep most of the companies afloat.⁷⁵ The subsidies kept the firms from failing but provided little money for investment and improvement. The dearth of spare investment cash for the public

railways became tragically evident in June of 2002, when aging brake equipment failed killing nearly 300 people.⁷⁶

The opponents of privatization worry about privatized firms falling into the hands of foreign owners, cutting jobs, raising prices for goods and services, and obsessing over profits. The crux of the argument is that privatization benefits foreign owners, rather than the native workers and consumers.⁷⁷ However, the people of the privatizing nation benefit the most. Even if the government receives little money from the sale of a nationalized firm, it is still relieved of the financial burdens of subsidies. Rather than consuming government money, the private firm starts contributing to the treasury through taxes. The government now has more money to spend on education, healthcare, and other social programs. Privatization saved the Tanzanian government enough in subsidies to abolish fees for primary education with money left over for other programs.⁷⁸

A privatized firm may cut jobs or raise prices, but getting the state out of a particular economic sector also removes laws and regulations that had previously channeled specific economic activities solely through state firms. Before 1993, Tanzania's financial sector only had one bank with one, not so careful owner (the Tanzanian government). By 2002 it had 20 banks and 12 non-bank financial institutions. These banks not only employ more people, but also must compete against each other by providing better services to customers.⁷⁹

Countries may have problems with foreigners owning some of their industries, but such ownership brings benefits. A few years ago, the Tanzanian government sold its container terminal in the port of Dar Es Salaam to Hutchinson Whampoa of Hong Kong. Hutchinson Whampoa invested \$7 million in new equipment. Within 18 months, the facility was handling 22 percent more containers, while productivity climbed 37.5 percent.⁸⁰ Foreigners may be making profits, but Tanzanian dockworkers are becoming more productive, while native exporters and import-reliant industries enjoy a 22 percent increase dockyard capacity. The sale of nationalized industries may tug at patriotic heartstrings, but a patriot benefits materially and emotionally from a wealthy and prosperous economy.⁸¹

Once a government has liberated itself and its nation's economy from the shackles of nationalized industry, it remains free to concentrate on the needs of its people. With more resources at its disposal, and without the conflict of interest inherent in state ownership, governments have the option of turning their attention and energies towards things like environmental or safety regulation.

B. Floating Currencies – Keeping the Government Mints Honest

Traditionally, governments have gained competitive advantages for their economies through currency control. Currency devaluations temporarily make a

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nation's goods cheaper on the international market and increase exports.⁸² The increased international capital flows brought by globalization deny nations this opportunity. As a government moves to devalue its currency, currency speculators borrow huge amounts of the currency and sell it for more stable money. Once the currency has plummeted, the speculators buy back enough of it to pay off the loan and make a huge profit.⁸³

Currency speculators are rich and the countries they victimize often are poor. Accordingly, currency speculation has been identified as one of the ills of globalization. Globalization, international capital flows, and currency speculation deprive nations of some control over their currencies, but this loss of control benefits the people of these nations.

As long as there has been money, governments have been trying to devalue it. While some peoples theoretically consent to be taxed, those without the vote have alternate means of expressing their displeasure with taxation. Through the printing of money, governments can "tax" their people without their consent or immediately upsetting them. The inevitable inflation takes time to materialize as the new money works its way through the economy. When inflation does appear, the government resorts to the predictable laundry list of "usual suspects" – currency speculators, hoarders, black marketers, bankers, businessmen, middlemen, the opposition, former colonial masters, ethnic minorities, or even the occasional international Zionist conspiracy – everyone and everything except for their own printing presses and central bankers. The mint may help a government meet its short-term financial obligations or boost exports, but inflation proves catastrophic in the long run.⁸⁴

Inflation not only destroys peoples' savings; it devastates whole economies.⁸⁵ Free markets depend on prices to coordinate production and allocate economic resources. Inflation distorts prices and confuses the market. Following an increasingly manipulated price system, manufacturers, middlemen, and investors start moving economic resources to where they should not be going (to make goods and services that seem to be in demand but really are not), and the economy often starts producing huge surpluses of low demand goods, while cutting back on goods with rising demands. Eventually, the market adjusts at the higher price levels caused by the inflation, but the damage has been done. The misaligned capital and labor must be liquidated and rearranged into sustainable economic patterns. This will take time, and the nation endures a recession.⁸⁶

Through increased international monetary flows, globalization keeps the government mint honest. If a government tries to devalue its currency, foreign investors will liquidate their holdings, while currency speculators dive in for a piece of the action. The currency will plummet much farther than the government had thought desirable or possible. The nation's exports may benefit, but it will be unable to afford costly imports or service its foreign debts. In an integrated world economy, countries

can continue to devalue their currencies but face almost certain economic ruin if they do.

Prior to globalization, nations could get away with currency devaluations, but now they must pay the consequences. Governments lose the power to tax via the printing press, but they gain greater economic stability and potentially higher long-term tax revenues. The people get to keep their savings and avoid the economic downturns caused by inflation. In short, globalization de facto deprives states of their sovereign right to destroy their domestic economies with irresponsible monetary policy.

C. Economic Interdependence Among Nations – Business Before War

In its most simplistic and sanitary form, globalization represents the growing economic interdependence of nation states. Interdependent, cooperative nations are more likely to have better relations with one another and less likely to fight,⁸⁷ but globalization has a less trumpeted secondary peace effect.

Provided the First and Third World nations accept globalization, it will carry prosperity to underdeveloped countries. Prosperity brings material benefits, but, more importantly, it brings social and political change. Currently in most Third World nations, governments intertwine political and economic power. These powers rest with political elites and the military establishment. The devolution of economic resources away from the government and towards the people or foreign investors gives rise to prosperity and the creation of new economic classes – middle, business, mercantile, professional, skilled labor, etc. (all of which combine nicely into one word – *bourgeoisie*). It is only a matter of time before the economic power of these new classes translates into political influence. Prosperity increases stability and reduces crime, lessening the practicality and appeal of law and order authoritarianism, military dictatorship, or single party rule.⁸⁸

In post-medieval England, the growth of industry and trade created wealth for those outside of the aristocracy. As the Crown became more dependent on money from the middle class, rather than the feudal military obligations of the aristocracy, most political power shifted from the lords to the commons.⁸⁹ When the threat of war loomed, English involvement theoretically depended upon the consent of the representatives of those expected to pay for it. Furthermore, with the exception of defense related industries, war disrupted most trading and mercantile interests. In short, war became bad for business.⁹⁰

Despite this clear logic, even the most casual student of history knows that England fought many wars even after the devolution of much political power to the *bourgeoisie*. However, responsibility for the European wars of the 18th, 19th, and 20th

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centuries does not lie with failures in the English political process. Most of these wars resulted from “the bad men” in charge of Europe’s various political and military establishments – Louis XIV, Napoleon, Kaiser Wilhelm, etc. War may have been bad for English business, but the imposition of foreign or domestic military puppet regimes would have been even worse – not to mention deadly for the representatives of the business and mercantile classes.⁹¹

The English example holds, if “the bad men” fail to materialize. As the Third World prospers and develops new economic classes, these classes will demand greater political power, and, most importantly, have the money to buy it. The government now has the option of clinging to military support or enlisting the cooperation of business interests. Granted, the military establishment can always crush the up and coming *bourgeoisie* with force, but releasing the economic genie complicates this process. Destroying the new economic classes and seizing their assets would produce economic collapse. With the nation crippled financially and facing renewed civil unrest, the military’s hold on power would be tenuous at best and precariously dependent on the payment of soldiers with diminished financial resources and their willingness to keep on shooting their own people.

If the military establishments think carefully, they might actually welcome increased *bourgeois* political involvement and activity. The rise of the *bourgeoisie* heralds economic prosperity and increased government revenues. The military may lose political influence but gain materially. A prosperous economy all but guarantees that the troops will get paid, while their generals enjoy the prospect of higher salaries. Furthermore, as seen during the Gulf War, victory on the modern battlefield depends greatly on the successful development and employment of advanced, expensive technology. Rather than crushing the emerging *bourgeoisie*, the military should embrace them or risk defeat at the hands of their adversaries who do.

Although it probably won’t happen overnight, increased globalization should dramatically curb the power of military establishments and foster the beginnings of liberal *bourgeois* representative government. As economic interests gain political dominance, war becomes bad for the represented taxpayers and bad for business.

VII. CAN GLOBALIZATION BE STOPPED? HISTORY MAY NOT END WITHOUT A FIGHT

This paper has labored to prove humankind’s natural inclination to trade and globalize. Globalization and international trade have their drawbacks – primarily the reallocation of economic resources away from industries and interests that had previously enjoyed government protection. However, these are substantially outweighed by the benefits, or, at least, those things most people subjectively value as

“good” – prosperity, poverty reduction, peace, higher standards of living, jobs, better government, and the proliferation of representative government. Humanity may unconsciously desire globalization, and even some of its opponents admit its inevitability; but globalization is not characterized by a long, winding path but by the cycle of history. Embracing Francis Fukuyama’s rational and scholarly view that the world is progressing into a “global golden age” of liberal democracy, free markets, peace, and prosperity and that history has essentially “ended” is both tempting and joyous.⁹² However, it is premature. Globalization and international trade have advanced and flourished before, only to be knocked back to their foundations by historical circumstances. The inevitability of globalization depends upon breaking the cycle of history. Globalization may triumph in the next 50 years or the next 5,000, but it can be stopped. Conceivably, it could advance and decline until the ending of the world.

Globalization is a powerful force, but its power is economic and dispersed. It possesses no armies or policemen, and it often antagonizes the nation states that do. Stopping or reversing globalization harms a nation’s people and may even lead to collapse of the government or the nation itself, but a nation state still has the power to do so.

A. Globalization and History – *Pax Romana to Pax Americana*

Past “globalizations” sprouted peace and prosperity, while past “de-globalizations” sowed the seeds of widespread poverty and war. We shall take a brief look at four distinct periods in history and see how globalization has risen and fallen and taken the human race up and down with it.

1. Roman “Globalization”

Although the ancient Roman government took a very active role in the Empire’s economy, it did allow varying degrees of international or global trade throughout the known world. Subsequently, the provinces developed unprecedented levels of division of labor, specialization, comparative advantage, and economic interdependence. Roman trade was never truly free, as the government awarded trading monopolies and fixed prices. Free from these restrictions, the Roman economy could have performed better, but even this limited trade provided the Roman government with enough prosperity to adequately defend itself.⁹³

The political troubles of the third and fourth centuries A.D. changed all this. Civil war depressed the economy, while competing military factions pushed up defense expenditures. Faced with a declining tax base and greater fiscal demands, the

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emperors debased the currency. Inflation pushed up prices, but successive Roman governments continued to zealously enforce maximum price controls. This paralyzed production, and Rome's economic organization slowly disintegrated. Commerce in grain and other necessities vanished, and inhabitants of cities fled to the countryside in search of food. Economic decline emasculated the Roman army, and it started to lose to the same barbarians it had been defeating for centuries.⁹⁴

2. Western European Mercantilism

Following the collapse of the Western Roman Empire, European regional trade did not begin to recover for 1,000 years. Even as the Age of Exploration offered the possibility of revived global trade, the nation state rose to block it. According to mercantilism, the dominant economic theory of the 17th and 18th centuries, nations measured their wealth in gold and silver. Trade only benefited the nation if it increased its stock of precious metals (specie). Rather than exchanging their money for desired foreign goods, the mercantilist nation states of Western Europe colonized the sources of production. Gold paid the king's soldiers, subsidized domestic industries to minimize imports, maximize exports, and limit the export of valuable specie. Attempts to trade freely, or smuggling, were capital offenses.

Western European nation states fought wars over colonies and trade, so they could acquire more gold, to pay more soldiers, to fight more wars over colonies and trade. The militaristic policies of European nation states defeated a peaceful drive towards globalization with an international "treasure hunt" based on exploitation, war, and conquest.⁹⁵

3. Rise and Reverse – Globalization and the *Pax Britannica*

Although the vestiges of mercantilism still exist to this day in the form of preferential treatment given to former colonies, mercantilism began to die out in the late 18th and 19th centuries, as the colonies of the New World gained independence and opened their previously restricted markets to the rest of the world. Furthermore, France and Spain had been mercantilism's biggest practitioners, while the English had, at best, only made halfhearted attempts.⁹⁶ In 1815, final British victory over Napoleonic France left Great Britain as the only Western European state capable of militarily enforcing a mercantilist regime. It declined to do so, and the 19th century saw the world economy march towards increased international trade, economic interdependence, and globalization.⁹⁷

Nineteenth century globalization may have appeared as inevitable as its modern counterpart, but, again, the nation state applied the brakes. Free trade fostered industrialization and prosperity, and created new economic interests. The spread of

industrialization, the creation of new industries, and the linking of established ones with foreign competition triggered a backlash from special interest groups. Prior to the start of the World War I, even free-trading Great Britain had begun erecting import barriers against competing foreign goods⁹⁸ – many of which had been produced by industries developed by exports of British capital.

Their economies ravaged by war and saddled with foreign debts, the nations of post World War I Europe gradually returned to mercantilism. They had to protect domestic jobs and accumulate gold stockpiles to service debt. In an attempt to grow themselves out of economic penury and pay off their war debts, many nations inflated their money supplies. This inflation led to worldwide economic depression in 1929.⁹⁹ In a further attempt to protect their faltering economies and raise revenue, most countries imposed even higher tariffs and trade barriers. International trade broke down, and the world slipped deeper into the Great Depression.¹⁰⁰

4. Mechanized Mercantilism – Lebensraum and the Asian Co-Prosperity Sphere

The Depression and the rise of Communist movements produced civil unrest, and led to the establishment of law and order fascist movements in many countries and belligerent fascist governments in three – Germany, Italy, and Japan. These countries revived their economies largely through expansionary military spending. Even with their economies restored, the Axis powers still depended on the importation of foreign goods – primarily foodstuffs and raw materials. France and Great Britain had their colonial sources, while the United States possessed domestic resources of just about everything. Faced with the breakdown of international trade and their dependence on certain crucial foreign supplies, the Axis resorted to acquisition through conquest.¹⁰¹

The Allies did not won World War I at the Marne or in Flanders Fields but upon the frigid waters of the North Sea. The Allied armies managed to hold together for four long years, while the Royal Navy blockaded the Central Powers' importation of critical materials. The development of synthetic substitutes saved the Kaiser's war machine from immediate collapse, but they could not prevent its gradual decline or alleviate growing food shortages.¹⁰² Industrial stagnation combined with slow starvation gradually fermented into discontent, revolution, and the collapse of the German government. The deprivation of foreign trade not only brought the world's greatest land military power to her knees, but also resulted in an estimated 763,000 German civilian deaths.¹⁰³

Having seen their country defeated by blockade in the first war, the Nazi government waged a second to ensure complete German economic self-sufficiency and independence. The acquisition of *Lebensraum* or “living space” in the east, would allow the German people to realize their destiny without the help of foreigners and

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despite the meddling Royal Navy.¹⁰⁴ Fortunately, Allied victories at El Alamein and Stalingrad ensured that German *Lebensraum* never reached the oil fields of the Caucasus and Middle East. Forced to rely on insufficient supplies of synthetic oil substitutes, the Third Reich did not achieve economic self-sufficiency, and the German war machine literally ran out of gas.¹⁰⁵

Rich in industry and labor but poor in raw materials, beginning in 1931, the Japanese sought their own *Lebensraum*, which they dubbed the Asian Co-Prosperity Sphere. Given time by the ineffectiveness of the international community, they managed to conquer sources of critical raw materials by December of 1941.¹⁰⁶ The Japanese might have gotten away with it had Allied submarines not been able to successfully interdict most Japanese merchant shipping.¹⁰⁷

These historical examples demonstrate that globalization can indeed be stopped, and it would be foolhardy to assume that things are different this time around. As the world globalizes, the economies of the Third World will diversify and prosper. Gradually, they will develop new industries, which compete with those already established in other countries. Faced with new sources of foreign competition, exporting special interests, which had previously encouraged globalization, turn to oppose it. Meanwhile, the devolution of political power to new economic classes in Third World nations creates the real possibility that they will use their new political influence to gain government protection and make political, rather than market, profits.

Increased international trade and globalization can only occur if governments let them, and the form of government is irrelevant. Globalization lessens the control of authoritarian regimes and undermines them politically. In developed democratic countries, globalization harms certain constituent industries, and the harm spreads to previously unaffected industries as the rest of the world catches up economically.

Winning the fight for globalization depends on the outcome of a political slogging match between special interest groups. In the United States and Europe, the evolution of economies into services and technology may tip the balance against farmers and industries entrenched by decades of protectionism. Unfortunately, globalization is not very well understood, and Western environmental movements and even human rights organizations could very easily be drawn into the protectionist fold. If the political balance tips towards protectionism in enough nation states, then the outcome is known. Economics fuses with nationalism and trading replaces trading. Such is the historical precedent. Historically, full globalization has never really happened. While we cannot be absolutely sure what a globalized world will look like, it cannot conceivably be worse than the historical precedents created by its antithesis.

VIII. CONCLUSION – AN UNCERTAIN FUTURE

Now that we understand certain things about international trade, the various forms of economic organization, capitalism, the relationship between economic special interests and politics, and the historical cycle of globalization, we can draw conclusions about the high stakes of globalization and the future of the human race. This author does not enjoy dramatic language, but cannot rationally discuss the high stakes of globalization and the future without its employment.

Human history will continue with or without globalization, but the content and substance of future history depends upon the success or failure of globalization. It has taken millennia, but mankind has progressed to what could be its final historical crossroads. The peoples of this planet can either choose to grow up and grow together, or regress into historical regional and national political and economic rivalries. The brightness or darkness of the future depends upon breaking the historical cycle of globalization.

If globalization succeeds, the world's nations will become economically interdependent. International division of labor and production will unlock and combine the human and geological diversity of creation. The great minds of the future will flourish in a world that supports and encourages their thoughts and ideas and not allow them to wither in small fields and rice paddies. Engaged in the politics of business, governments will have little appetite for the destruction and expense of war. With reliable international sources of essential goods and services, governments will have no cause to make war for food, oil, or *Lebensraum*. The capitalization of international division of labor and resources ensures the most efficient use of labor, capital, and raw materials – cutting down on waste and environmental depreciation. The growth of new resources and the uncorking of human talent opens the door for the development of cleaner technologies and better environmental stewardship. Globalization has never succeeded, so the exact outcome remains uncertain. However, the potential exists for the creation of an integrated, rapidly advancing, and cleaner world, devoid of widespread poverty, war, and authoritarianism.

While history cannot predict the disposition of a globalized world, it has borne witness to its antithesis. If nation states reverse the globalization process, then international trade will breakdown, and nation states will turn to alliances and/or conquest to secure needed economic resources. This raises the specter of something perhaps worse than de-globalization – “partial globalization.” Rather than becoming one global unit, or hundreds of protectionist nation states, the world could combine into continental economic blocks. The combination of North and South America, Europe and Russia, and Africa with the rest of Asia and the subcontinent would result in three gigantic, autarkic, independent economies. Having realized the future

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equivalents of *Lebensraum* and the Asian Co-Prosperity Sphere, they would have no need to cooperate or depend on one another. The amount of resources brought to bear in any potential conflict borders on the unimaginable. This leaves humanity with three future possibilities: (1) de-globalization and squabbling nation states, (2) globalization, cooperation, prosperity, and peace, or (3) “continentalization,” which could bring prosperity exploding into an Orwellian nightmare.

The stakes are high and not widely known, but they are known. Hopefully, people will come to realize that globalization is not an exploiter or economic bogeyman, but a mighty hammer that when wielded by all six billion inhabitants of this planet will smash the cycle of history. The issue of globalization has been mired in the details and the myopic (but understandably so) worlds of the special interests for too long. Globalization needs to be about the big picture, and it needs to be about the masses, who are its primary beneficiaries. The politicians can figure out the details, but they are going to need a general push from the public. Anti-globalization protestors probably want peace, prosperity, Third World development, human rights, and a clean planet, but historical precedent has demonstrated that reversing globalization will cause the exact opposite. The good news for those of us who genuinely care about the future of humanity is that we have the right people on the streets, but, unfortunately, they are carrying the wrong signs.

Notes

- * Alastair Walling will graduate with a J.D. from the University of Kansas School of Law in May 2004. He received a B.A. in Politics with a certificate in Economics from Princeton University in 2000.
- 1. Gary J. Wells, *The Issue of Globalization – An Overview*, Congressional Research Services Report for Congress No. RL309552 (2001) (citing ROBERT O. KEOHANE & JOSEPH S. NYE, GOVERNANCE IN A GLOBALIZING WORLD 1-41 (Joseph S. Nye & John D. Donahue eds., 2000)).
- 2. See F.A. HAYEK, THE FATAL CONCEIT: THE ERRORS OF SOCIALISM 43-45 (W.W. Bartley III ed., 1991) [hereinafter HAYEK].
- 3. See LUDWIG VON MISES, HUMAN ACTION: A TREATISE ON ECONOMICS 325 (1949) (3d ed. 1963) [hereinafter VON MISES].
- 4. See *id.* at 325-26.
- 5. See DAVID HOWARTH, 1066 THE YEAR OF THE CONQUEST 11-26 (1993).
- 6. See HAYEK, *supra* note 2, at 40.
- 7. See Thomas M. Magstadt, *Communism Between Marx and the Marketplace*, Cato Policy Analysis No. 87, 19 (June 2, 1987), available at <http://www.cato.org/pubs/pas/pa087.html> (citing JOAN EDELMAN SPERO, THE POLITICS OF INTERNATIONAL ECONOMIC RELATIONS 269 (1977)).
- 8. Interestingly, the Cuban government recently opened an exhibition celebrating the island’s

- relationship with former British Prime Minister and staunch anti-communist Sir Winston Churchill. “[W]hatever his politics, Sir Winston remains something of a hero in Cuba for his phenomenal consumption of Cuban cigars.” BBC News, *Cuba Remembers Churchill Legacy* (Nov. 30, 2002), available at <http://www.news.bbc.co.uk/2/hi/americas/2530207.stm>.
9. See Jonathan G. Clarke & William Ratcliff, *Report from Havana: Time for a Reality Check on U.S. Policy Toward Cuba*, Cato Policy Analysis No. 418, 10 (Oct. 31, 2001), available at <http://www.cato.org/pubs/pas/pa418.pdf>.
 10. See generally VLADIMIR VOINOVICH, *THE FUR HAT* (Susan Brownsberger trans., Harcourt Brace Jovanovich) (1991).
 11. See FOX NEWS, *Alleged Mistress Recalls Life with Saddam* (Sept. 10, 2002), available at <http://www.foxnews.com/story/0,2933,62558,00.html>.
 12. See FOX NEWS, *Pakistani Doctor Says He Treated Bin Laden* (Nov. 27, 2002), available at <http://www.foxnews.com/story/0,3566,71593,00.html>.
 13. See John F. Burns, *Trucks of the Taliban: Durable, Not Discrete*, N.Y. TIMES, Nov. 23, 2001.
 14. See John Greenwood, *The Real Issues in Asia*, CATO JOURNAL Vol. 20, No. 2, 150-151 (Fall 2000), available at <http://www.cato.org/pubs/journal/cj20n2/cj20n2-1.pdf>.
 15. See FRANCIS FUKUYAMA, *THE END OF HISTORY AND THE LAST MAN* 44 (1992) [hereinafter FUKUYAMA].
 16. See HAYEK, *supra* note 2, at 85-88.
 17. See FUKUYAMA, *supra* note 15, at 28-29, 32.
 18. See RONEN PALAN & JASON ABBOTT WITH PHIL DEANS, *STATE STRATEGIES IN THE GLOBAL POLITICAL ECONOMY* 36-39 (1996).
 19. See *id.* at 78-101.
 20. FUKUYAMA, *supra* note 15, at 28, 32.
 21. For example, hundreds of high-growth entrepreneurial French companies have moved to Britain in recent years, and nearly 500,000 French citizens now call the United Kingdom home. The French government has reported that a large share of the country’s engineering graduates leave each year with 40,000 French tech workers finding their way to Silicon Valley. See Chris Edwards & Veronique de Rugy, *International Tax Competition: A 21st Century Restraint on Government*, Cato Policy Analysis No. 431, 9 (April 12, 2002), available at <http://www.cato.org/pubs/pas/pa431.pdf>.
 22. Bruce Bartlett, *The Truth About Trade in History*, reprinted in *FREEDOM TO TRADE: REFUTING THE NEW PROTECTIONISM* 12 (Edward L. Hudgins ed., 1997), available at <http://www.freetrade.org/pubs/freetrade/chap2.html>.
 23. Greenwood, *supra* note 14, at 151-54 (The misalignment of economic resources by the governments of CDS states is very similar to the effects of irresponsible fiscal policy discussed at length in note 87.).
 24. VON MISES, *supra* note 3, at 313-14, 843.
 25. *Id.* at 734-36.
 26. *Id.* at 290-91.
 27. *Id.* at 311-12.
 28. HAYEK, *supra* note 2, at 53-54, 85.
 29. VON MISES, *supra* note 3, at 853.

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30. HAYEK, *supra* note 2, at 85.
31. *Id.* at 85-88.
32. Duncan Green & Matthew Griffith, *Dumping on the Poor: The Common Agricultural Policy, the WTO and International Development*, The Catholic Agency for Overseas Development, 4 (2002), available at <http://www.cafod.org.uk/policy/dumpingonthepeer200209.pdf>.
33. *Id.*
34. See VON MISES, *supra* note 3, at 609.
35. See DANIEL COHEN, *THE WEALTH OF THE WORLD AND THE POVERTY OF NATIONS* 38 (Jacqueline Lindenfeld trans., 1998) [hereinafter COHEN].
36. BBC NEWS, *IMF: Angola's "Missing Millions"* (Oct. 18, 2002), available at <http://www.news.bbc.co.uk/2/hi/africa/2338669.stm>.
37. See <http://www.oecd.org>. (The OECD has thirty members: the United States, Canada, Australia, New Zealand, Mexico, Japan, South Korea, and 23 European countries) (last visited Nov. 2003).
38. Green & Griffith, *supra* note 32, at 6.
39. *Id.* at 5.
40. *Id.* at 7.
41. *Id.* at 6 (approximately £400).
42. *Id.* at 7.
43. *Id.* at 9.
44. *Id.* at 11.
45. Small-scale farmers are defined as those with less than 30 hectares of land. *Id.*
46. *Id.*
47. *Id.* at 13 (citing Brent Borrell & Lionel Hubbard, *Global Economic Effects of the EU Common Agricultural Policy*, Economic Affairs, June 2000, available at <http://www.cidse.org/en/tg1/tradelibbgr01.htm>).
48. *Id.* at 11.
49. Green & Griffith, *supra* note 32, at 4.
50. *Id.* at 16.
51. *Id.* at 17.
52. *Id.* at 16.
53. *Id.* at 6.
54. *Id.* at 17.
55. *Id.* at 15.
56. The legitimacy of buying off or subsidizing farmers and other economic groups is addressed by Lester C. Thurow in his book *THE ZERO-SUM SOCIETY*. See LESTER C. THUROW, *THE ZERO-SUM SOCIETY: DISTRIBUTION AND THE POSSIBILITIES FOR ECONOMIC CHANGE* 155-90 (1980). While bribing farmers may or may not be legitimate, the legitimacy of European governments to disperse rioting farmers is not in question.
57. Green & Griffith, *supra* note 32, at 5.
58. See Edward Gresser, *America's Hidden Tax on the Poor: The Case for Reforming U.S. Tariff Policy*, Progressive Policy Institute, Policy Report, 3 (March 2002), available at http://www.ppionline.org/documents/Tariffs_Tax_the_Poor.pdf.
59. *Id.* at 2.

60. *Id.* at 3.
61. *Id.* at 4-5.
62. *Id.* at 6.
63. *Id.* at 8-10.
64. *Id.* at 11.
65. *Id.* at 10.
66. *Id.* at 11.
67. VON MISES, *supra* note 3, at 158.
68. *Id.* at 157-58.
69. HAYEK, *supra* note 2, at 80.
70. *See* VON MISES, *supra* note 3, at 160-61.
71. Green & Griffith, *supra* note 32, at 4.
72. *See* HAYEK, *supra* note 2, at 122-23.
73. *See* VON MISES, *supra* note 3, at 82.
74. *See id.* at 716-24.
75. Daniel Dickinson, *Tanzanian Privatisation Steams Ahead*, BBC NEWS, Oct. 21, 2002, at <http://news.bbc.co.uk/2/hi/business/2309915.stm>.
76. *Id.*
77. *See* WAYNE ELLWOOD, *THE NO-NONSENSE GUIDE TO GLOBALIZATION* 58-62 (2001).
78. Andrew Walker, *Tanzania: Reforms Under Pressure*, BBC NEWS, April 29, 2002, at <http://news.bbc.co.uk/2/hi/business/1957334.stm>.
79. *Id.*
80. *Id.*
81. This point is perhaps adequately summed up by a contemporary joke that is accurate but not terribly funny: A guy walks into a car dealership and says he wants to buy an American car. "That depends on your definition of American," the dealer replies. "Huh?" asks the man. The dealer sighs and says, "I have an American car made in Canada, an American car made in Mexico, a Japanese car made in Alabama, and a German car made in South Carolina."
82. *See* John W. Head, *Making International Trade Less Foreign: A "Nutshell" for Non-Specialists on the Changing Rules Governing International Trade*, 61 K.B.A. JOURNAL 42, 43 (Dec. 1992).
83. *See* ELLWOOD, *supra* note 77, at 72-77.
84. *See* MILTON FRIEDMAN, *CAPITALISM AND FREEDOM* 37-39 (University of Chicago Press 1982) (1962).
85. Ironically, this paradigm of economics was best articulated by V.I. Lenin, who once stated that the most effective way to destroy a society was to destroy its money. FRIEDMAN, *supra* note 84, at 39.
86. *See* VON MISES, *supra* note 3, at 550-65. Of course, the noted paragraph represents a gross simplification of a very complex economic theory. Unfortunately, I can only think of a rather trite metaphor to somewhat explain it. Think of the economy as an average person whose actions represent production and investment decisions. He bases these decisions on his perception of the world around him. These perceptions represent prices and the price system. Inflationary monetary policy affects an economy like drugs or alcohol would influence the actions of our hypothetical person. The more drugs and alcohol he consumes, the more distorted the world around him becomes, and he begins to base his actions on illusions rather than reality. As "beer goggles"

- often induce a man to flirt with women he would otherwise find unattractive or marijuana “munchies” cause the consumption of an entire pizza on an already full stomach, inflation entices an economy to make investment and production decisions that look like they will bear fruit, but, in reality are not sustainable and fail. Reality reasserts itself after prices stabilize at higher levels. Our man sobers up, realizes all the bad decisions he has made, and tries to undo them. Like the economy’s capital and labor, all the planning and effort based on the false reality is written off, until our man gets over his hangover (recession), readjusts to reality, and starts making clear decisions again. (My apologies to Ludwig Von Mises). Despite the example, this theory has strong historical backing. The Great Depression of the 1930s resulted largely from the loose monetary policies, and the American economic “panics” of the 1890s followed the adoption of supplemental silver currency in the 1880s. FRIEDMAN, *supra* note 84, at 38, 43.
87. See VON MISES, *supra* note 3, at 686-88.
 88. See FRIEDMAN, *supra* note 84, at 7-21.
 89. See WINSTON S. CHURCHILL, *HISTORY OF THE ENGLISH-SPEAKING PEOPLES* 158-59 (Henry Steele Commager ed., Barnes & Noble Books 1994) (1955).
 90. See VON MISES, *supra* note 3, at 823-24.
 91. See *id.* at 282.
 92. See generally FUKUYAMA, *supra* note 15.
 93. See VON MISES, *supra* note 3, at 767-68.
 94. See *id.* at 767-69.
 95. See COHEN, *supra* note 35, at 9-12.
 96. Convinced by Adam Smith’s *The Wealth of Nations*, British Prime Minister William Pitt (The Younger) made free trade official British policy upon coming to power in 1783. See CHURCHILL, *supra* note 89, at 296-97.
 97. See Bartlett, *supra* note 22, at 3-5.
 98. *Id.* at 5.
 99. See FRIEDMAN, *supra* note 84, at 38, 45-50.
 100. See *id.* at 9-10; Stanley Kober, *The Fallacy of Economic Security*, Cato Policy Analysis No. 219, 21 (Jan. 24, 1995), available at <http://www.cato.org/pubs/pas/pa-219.html>.
 101. See Bartlett, *supra* note 22, at 11, 15.
 102. See VON MISES, *supra* note 3, at 829.
 103. This estimate does not include deaths attributable to starvation related diseases. Unfortunately, 763,000 should probably be considered conservative. See THE WORLD ATLAS OF WARFARE: MILITARY INNOVATIONS THAT CHANGED THE COURSE OF HISTORY 157 (Richard Holmes et al. eds., 1988) [hereinafter Holmes].
 104. See VON MISES, *supra* note 3, at 323-24.
 105. See *id.* at 829-30.
 106. See Bartlett, *supra* note 22, at 11.
 107. Holmes, *supra* note 103, at 219.