

# Does Globalization Help the Poor?

By Jerry Mander and Debi Barker, TomPaine.com

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During the past few years, we have heard steady proclamations emanating from the advocates of economic globalization and leaders of the Bretton Woods institutions—the World Bank, the International Monetary Fund (IMF), the World Trade Organization (WTO), et.al.—that their deepest purpose in pushing economic globalization is to help the world's poor. More specifically, they contend that removing barriers to corporate trade and financial investments is the best path to growth, which they say offers the best route out of poverty.

They also assert that the millions of people who have visibly opposed the economic globalization model are harming the interests of the poor. Everyone should please back off and leave it to corporations, bankers and global bureaucracies to do the planning, and solve the world's problems.

Such claims are routinely replayed in the media. One prominent national columnist, for example, says, "protestors are choking the only route out of poverty for the world's poor." In other words, if the protests would stop, the IMF, the World Bank, the WTO, Nike and Monsanto would save the day.

Is this true? Are the interests of global corporations and bureaucracies really aimed at helping the poor? Or do these institutions have other primary motives? The purpose of this document is to address such questions.

## Who Benefits?

So far, almost all evidence from the past several decades (1970–2000)—the period of economic globalization's most rapid ascendancy—shows that it is bringing exactly the opposite outcome that its advocates claim. The evidence now comes nearly as much from the proponents of globalization as its opposition.

Clearly, poverty and inequality are rapidly accelerating everywhere on earth. A report by the United Nations (UNDP, 1999) found that inequalities between rich and poor within countries, and among countries, are quickly expanding, and that the global trading and finance system is one of the primary causes.

Even the U.S. Central Intelligence Agency confirms the UN conclusions, agreeing that globalization brings massive inequalities. The benefits of globalization do not reach the poor, says the CIA, and the process inevitably brings increased global protest and chaos.

Robert Wade of the London School of Economics, wrote in *The Economist*, (2001) "Global inequality is worsening rapidly ... Technological change and financial liberalization result in a disproportionately fast increase in the number of house-holds at

the extreme rich end, without shrinking the distribution at the poor end ... From 1988 to 1993, the share of the world income going to the poorest 10 percent of the world's population fell by over a quarter, whereas the share of the richest 10 percent rose by 8 percent."

The ideologies and rules of economic globalization – including free trade, deregulation, privatization, and structural adjustment – have destroyed the livelihoods of millions of people, often leaving them homeless, landless and hungry, while removing their access to even the most basic public services such as health and medical care, education, sanitation, fresh water, public transport, job training and the like. The record shows that economic globalization makes things worse for the poor, not better. And if the current negotiations in the WTO's General Agreement on Trade in Services (GATS) are finally concluded, the meager public assistance that was once available will be virtually gone.

There are isolated instances where some improvement has been achieved among Third World countries, over short periods. The Bretton Woods institutions love to trumpet these examples. But the truth is that the benefits of this "growth" have been very short-lived. In any case, nearly all the benefits have gone to the elites in these countries, and the chief executives of the global corporations at the hub of the process; executives whose annual earnings are now astronomical, often in the tens or hundreds of millions of dollars. All figures show that these discrepancies between top executives and ordinary workers and people are rapidly growing.

Even among the so-called "poster children" of free trade, the "Asian Tigers" like Taiwan, South Korea, Singapore and Malaysia, improvement has not come by assiduously following the dictates of the Bretton Woods regimes—the IMF, World Bank, the WTO, etc.—but often by doing the opposite of what the institutions prescribe. For example, Asian countries that have had some brief successes in developing their own economies did not cut all their tariffs as demanded by globalizing institutions, or permit foreign entry without controls, or eliminate existing support for domestic businesses, local economies and local agriculture. Instead, those countries included "import substitution"—developing the ability to take care of their basic needs internally—rather than totally converting to an export-based production system. This latter process, heavily promoted by the IMF and the World Bank, has resulted in many nations shipping away most of their food production while people at home go hungry or starve.

By at first resisting the economic model pushed by Bretton Woods, some countries managed to stay free of the volatility of export markets. But when they finally succumbed to heavy pressures from the IMF and the World Bank, they found their glory days quickly disappearing into the infamous Asian financial crisis (1997–1998), rooted directly in the new rules of free trade for finance and global corporations.

Most poor countries, however, have not enjoyed much benefit from globalization. After three decades of heavy IMF and World Bank medicines and less than a decade of WTO policies, they have understood that globalization is selling a false promise. The policies of the Bretton Woods institutions are not designed to benefit them, but to benefit rich

industrial countries and their global corporations. For this reason, many of the poor nations of the world held firmly together in opposition to the WTO in Seattle, 1999.

The question is this: Do these globalizing institutions know what they're doing? Or do they just blindly follow a failed ideological model? The worst case conclusion, which many now believe, is that the institutions surely do know what they're doing and always have. They have an assignment: to remove all impediments to the free flow of global capital as it seeks to pry open the world's last natural resource pools, markets, and cheap labor (and, to keep it cheap.) To suggest they do all this to help the poor is high cynicism.

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Source: Jerri Mander and Debi Barker, *AlterNet* (January 10, 2002).