Globalization Myths

The mainstream media, corporations and government officials acknowledge that globalization has "winners and losers," but with one voice they proclaim that the benefits are much greater than any negatives. In the book The Field Guide to the Global Economy *(The New Press, 2000), Sarah Anderson, John Cavanagh, and Thea Lee examine a number of the major claims that they found in materials produced for middle school, high school, and college students. The following is based on findings described in greater detail in their book on pages 39-63.*

MYTH #1: Increased Trade Equals More Jobs for Americans at Higher Wages.

U.S. government and corporate officials claim that jobs in the export sector pay more than jobs on average. Hence, they argue, increasing exports should be encouraged.

There are several problems with this reasoning. In today's factories, companies can boost productivity and increase exports without hiring more employees. Caterpillar, for example, had record exports worth $5.5 billion from its plants in 1996, even though the firm had cut its U.S. workforce by about one-quarter during the previous three years. Meanwhile, Caterpillar used its global power to withstand a long fight with its U.S. unions.

Do new export-related jobs make up for job losses from imports? U.S. trade involves firms exporting goods and services to other countries ($931 billion worth in 1998) as well as importing from the rest of the world ($1,100 billion in 1998). Both exports and imports have been growing rapidly as corporations shift goods and parts among their factories around the world. "Free trade" advocates boast about jobs created by growing U.S. exports, but ignore the jobs lost to increased imports. If consumers switch from buying a U.S.-made product to one made somewhere else, this *does* result in lost U.S. jobs and poorer quality jobs.

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And even though it is true that export jobs pay better than the average job, so do jobs in industries that face intense import competition. This is because both export and import jobs are usually in manufacturing, while the average job is in the lower-paying service sector.

But what about all those new American jobs created? The big question is, "What kind of jobs?" The Economic Policy Institute has found that nearly 30% of Americans have "nonstandard" jobs, which includes all those that are not permanent, full-time jobs. On average, these jobholders earn less, are less likely to receive health insurance and pensions, and face greater insecurity than full-time workers in standard jobs, even when they have the same level of education and experience. The majority of nonstandard jobs are held by women and people of color.

And globalization leads to insecurity in more and more jobs. Americans who manage to maintain jobs in manufacturing must contend with employers who may threaten to shut down a plant and move production to a lower wage area.

MYTH #2: Governments Protect the Environment More as Global Trade Creates Economic Growth.

Globalization pollutes. The rapid industrialization in China, Indonesia, Mexico, and elsewhere has vastly increased pollution around the world. Some companies deliberately choose production locations where enforcement of environmental rules is lax. Further, the World Bank and International Monetary Fund pressure countries to pay off loans through increased exports. This often means cutting down forests for timber exports, plantation expansion, depleting fishing stocks, or expanding open-pit mines.

Defenders of globalization argue that economic growth will give poor governments the resources to clean up the environment. But it doesn't work that way. Look at China, for example. Since 1980, China has had the world's highest economic growth rate, but it has quickly become one of the world's most polluted countries. At least 5 of the 10 cities with the world's worst air pollution are in China.

Globalization also threatens the environment in so-called developed countries. Corporations make threats to move out of countries like the United States to Mexico if new environmental regulations are passed. Also, environmental regulations have been overturned by the World Trade Organization and others as "unfair barriers to trade." (See p. 95.)

The very idea of globalization — dramatically expanding trade between nations — is hostile to the environment. Every mile that goods travel from one nation to another is fueled with polluting fossil fuels.

MYTH #3: Foreign Investment Automatically Raises Living Standards.

How do poor countries attract investment? By offering low taxes, repressing workers, and not enforcing regulations. Without strong protections for workers and citizens, there is no guarantee that foreign investment will benefit the average person in any country.

In Mexico, direct foreign investment jumped from less than $3 billion per year in the 1980s to $11 billion in 1998. Some Mexicans did benefit. But real wages in Mexico are less today than in the 1980s. Between 1987 and 1998, the real worth of the minimum wage declined by 72%. And there are fewer jobs in Mexico than there were before. Likewise, in Nigeria, oil has produced billions of dollars of revenue, but per capita income has fallen.

MYTH #4: Free Trade Benefits Consumers.

This is perhaps the most widely made claim. No question: From Manila to Mexico City, globalization has expanded the variety of goods available.

But who benefits? Just because corporations pay less to produce goods in Haiti or Indonesia does not necessarily mean that those savings are passed along to consumers. This may happen in industries where many small firms compete. But in sectors where a handful of huge global corporations dominate the market, like in automobiles, international trade does not necessarily result in lower prices.

For example, in 1994 General Motors built a new factory in Silao, Mexico to produce Suburbans for the U.S. market. GM paid $18.96 per hour for labor in the United States but only $1.54 per hour in Mexico. And yet the price of Suburbans continued to go up. Suburbans produced in Mexico didn't cost less than Suburbans produced in the United States. GM's dramatic savings from lower wages did not benefit consumers.

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MYTH #5:
Globalization "Lifts All Boats."

The World Bank argues that speeded-up globalization has coincided with greater world equality, pointing out that so-called developing countries as a whole are growing faster than the major industrial nations. But "growth" does not automatically help people. During this period of rapid growth, the gap between rich and poor within most nations has widened. This is true in countries as diverse as China, Chile, Poland, the Philippines, Tanzania, and Ecuador. Growing inequality is also occurring in industrialized countries like the United States, Great Britain, Japan, and Germany. And the gap between the world's richest and poorest people has never been greater. In 1999, the wealth held by the world's 475 billionaires was greater than the combined income of the poorest half of *all the people in the world.*

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MYTH #6:
What Benefits Corporations Benefits Us All.

Corporations claim that when they are more competitive and profitable, everyone in our society benefits. But increasingly, corporations pay fewer taxes and provide fewer jobs, although they have become more and more powerful. Since 1960, the share of federal tax revenues paid by corporations has dropped by more than half, from 23.2% to 11.4%.

The top 10 U.S. manufacturing corporations employ far fewer people today than they did 30 years ago, despite much higher revenues. Since 1968, their worldwide employment has dropped 33%, while their sales have increased 94%.

Bottom line: When companies make more money it does not necessarily "trickle down."

MYTH #7:
Sweatshops Are Not Necessarily a Bad Thing; That's How the United States Developed, After All.

Some economists claim that the low wages and harsh conditions of overseas "sweatshops" are essential as poor countries take steps toward prosperity. Sweatshop defenders claim that this is how the United States became prosperous.

However, what led to improved conditions in the United States was not the sweatshops themselves, but the struggles *against* sweatshops and for decent working conditions and wages. The United States has a long history of labor organizing and struggle. History does not teach us that, on their own accord, corporations will improve conditions as they make greater profits. Change happens when people work for it.

MYTH #8:
Immigrants Are a Drain on the U.S. Economy.

Often the same people who champion the rights of U.S. corporations to operate freely in other countries also scapegoat immigrants in the United States for draining social programs, stealing jobs, and dragging down wages. The National Academy of Sciences calculates that each immigrant and his or her descendants will provide $80,000 more in tax revenues over their lifetimes than they will use in services. The Urban Institute calculated that all immigrants who arrived in the United States between 1970 and 1992 paid between $25 and $30 billion more in taxes than they used in welfare and social services during this period.

By and large, through increased purchasing power, immigrants don't just fill jobs, they create them. The National Academy of Sciences concludes that there are no negative effects on American workers, with one exception: the very low-skilled, with less than a high school education, who earn an estimated 5% less because of increased competition. But as the UNITE apparel union points out: "The best way to help America's low wage workers is to stick to the basics: improved wages, improved health care, and reform of our labor laws so that all workers — immigrant and native born — can freely join unions and protect their rights."

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MYTH #9:
Globalization Will Spread Freedom and Democracy by Increasing Trade Between Nations.

This simply is not true. In most cases, increased trade does not go hand in hand with greater freedom. In a recent human rights report the U.S. State Department revealed that many countries with export growth rates well above the world average during the 1990s were anything but free societies. In order to protect "friendly investment climates," governments often repress workers and suppress freedom of expression. This is especially true because, as mentioned, free trade policies increase the inequality between rich and poor. For example, the State Department reported that Thailand, with one of the highest growth rates between 1990 and 1995, also was the site of death squad killings, torture, restrictions on freedom of speech and religion, and a significant amount of child labor.

MYTH #10:
U.S. Workers Don't Need to Worry About Globalization Because We're So Much More Productive.

According to one argument, people in the United States shouldn't be concerned about firms moving jobs to low-wage countries because U.S. workers can out-compete anyone. This overlooks the fact that corporations already are achieving comparable levels of productivity in countries where workers are denied rights and production costs are cheaper. For example, by 1997, 26.5% of China's exports to the United States were not just cheap consumer goods, but were comprised of machinery, including electrical goods, as well as industrial equipment. ■

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