

## Globalization and the Poor: Reflections of a Christian Economist

Globalization has brought about a level of economic contact between nations that is unparalleled in our world's history. In the last twenty years, international trade has increased nearly four-fold and foreign direct investment has increased nearly ten-fold. This has created relationships between rich and poor countries that have become both complex and controversial. How should a Christian think about the difficult issues surrounding economic globalization?

In this essay, I would like to consider economic globalization from the standpoint of three major principles that I believe run throughout the Scriptures, the objective being to help us as Christians to think more clearly and critically about globalization, and consider our roles in the midst of it.

The first biblical principle is that *God clearly cares about the poor and about the response of the rich to the poor among them*. We see this clearly throughout the entire Bible, from Deuteronomy (15:4), the Psalms (82:3), and Amos (2:7) to innumerable references in the Gospels (e.g. Matt 19:21), Acts (10:4) and clearly in the epistles (e.g. James 2:3). Psalm 82 summarizes these texts well with its exhortation to "defend the cause of the weak and the fatherless, and maintain the rights of the poor and the oppressed". The implication is unequivocal: Christians cannot support social and economic structures that systematically degrade the poor and cause them to remain mired in poverty.

The second biblical principle is that *interdependence between people is a community ideal*. Throughout the Bible, God consistently upholds people who offer their specialized skills for the benefit of the community, whether it be in construction Exodus (35:10), metalworking (1Kings 7:14), woodcutting (Ecclesiastes 10:10), poetry (Psalm 45:1), and music (Psalm 150:3), not to mention spiritual gifts (Romans 12:6 and 1Corinthians 12:4).

This is also clear from the way that God wants his church to function, not as a collection of autonomous clones, but as distinct individuals each endowed with different gifts to offer the larger community. As the apostle Paul writes "Each person has his own gift from God; one has this gift, the other has that" (1Corinthians 7:7). These gifts are offered and exchanged with the presumption being that everyone in the community is better off from the exchange. It is clear that whenever possible, God values *interdependence over independence*.

The third biblical principle is that *God is not a patriot*. God loves and cares for people from all nations: Galatians 3:28 (there is neither Jew nor Greek...for all are one in Christ Jesus); Matt 28:19 (make disciples of *all* nations); Revelation 7:9 (from every nation standing before the Lamb...) Again, the implication from this principle is clear: Christians cannot favor social and economic structures that provide disproportionate benefit to those within their own nation. Everybody in the world is equally valuable and important to God. This is a tough one for many who would like to base economic and foreign policy on "American interests." (I like the bumper-sticker response in my home town of Berkeley to the

ubiquitous "God Bless America" stickers which in contrast trumpets "God Bless Everyone.")

There are obviously other important principles that are manifest in Scripture. However, I would contend that none of these other principles trumps those I have mentioned as a lens through which we can critically analyze issues of economic globalization. And from these three principles I first would like to propose that trade and exchange are inherently good things that (in the vast majority of cases) should win the support of Christians who share God's concern for all of the world's people.

Here, we see a clear intersection between faith and reason, for it has been long understood that exchange is a fundamental building block to the well-being of any community. Interestingly, the first great economist, Adam Smith, believed that exchange would only be mutually beneficial if two parties each held an mutual absolute advantage at producing a certain good over the other. This would imply that specialization and exchange could only benefit a highly-endowed party if it exchanged with a second highly-endowed party if the second was more skilled at producing something than the first. Following this line of reasoning, it is easy to see how the poor could get left out: What if a person or country with low skills doesn't have an absolute advantage over anybody else at producing anything?

Fortunately (for the poor), the 19th century economist David Ricardo demonstrated that Adam Smith was wrong. What he showed, that has remained convincing to this day, was that it is *comparative* advantage that yields the mutually beneficial gains from exchange rather than *absolute* advantage.

This is very good news for the poor, because what it means is that no matter how low a person or country's relative level of skills may be, that person or country still has something valuable to offer the rest of the community! This is also good news for trade, based on biblical principle #1. It says that endowments in skills (while they do help determine the level of a party's income after exchange) are irrelevant to one's attractiveness as an exchange partner. In other words, the poor have an equally important role in trade and exchange as the rich, and that the poor can benefit by exchanging with the rich, and vice versa. (As well as the rich with the rich and the poor with the poor.) Consequently, it is hard to find a trained economist anywhere who fundamentally disagrees with biblical principle #2.

Some on the left, including the Christian left, have argued that trade between rich countries and poor countries is inherently exploitative. The truth is that the basis for international trade is no different than the basis for specialization and exchange between individuals. At a fundamental level, you can think of your purchase of a good or service as involving the trade of your money for someone else's time, and the other person trading their time for your money.

The basis for exchange then is in harnessing relative differences in people's productivity between various economic activities. For example, suppose you are both a very good computer programmer and a very good lawn mower. You can earn \$20 per hour building

web pages. Alternatively, you could mow your lawn, which would take you 1 hour. Suppose the cost of my time is only \$5 per hour (which I get for, say, babysitting), but it would take me two hours, or twice as long to mow your lawn as it would for you. However, it would take me forever to design a web page because my technical skills are low and I don't know how.

Based on this example, you are more productive than me in both activities, yet it will benefit both of us for you to hire me for somewhere between \$10 and \$20 to mow your lawn, between the opportunity cost of my time to mow your lawn and the opportunity cost of your time. In fact, given that a bunch of people like you and I exist out there, the market rate for lawn-mowing will lie somewhere in this range, and for any price in between, we are both going to benefit—you will pay less than the opportunity cost of your time, and I will get more than the opportunity cost for my time. These simple kinds of transactions constitute one of the foundational building blocks of an interdependent society (which is a good thing by biblical principle #2).

The application of the analogy to trade between rich and poor countries is plain, since international trade is just a more complicated extension of this example. International trade leverages differences in relative productivities between countries to create an outcome after exchange that is better for both than in the absence of exchange.

The income after the transaction realized by each is going to be a function of the productivity of that country's workers. This is determined by education, the amount of capital and technology people work with, and the relative scarcity of labor in a given place relative to its capital and technology.

Terms like a “fairness” and “exploitation” are problematic when talking about trade, and they should be used with more care than they usually are. In our example, we could say that our exchange is not *fair* unless I end up making the same wage as your \$20 after the transaction. On the other hand, we also could say that paying me a wage equal to yours is not *fair* because of your relatively higher education. We could also say that our exchange is not *fair* unless the lawn-mowing wage splits the surplus between our reservation points at \$15. We could say that our exchange is not *fair* unless you pay me a wage upon which I could live comfortably, by your definition of comfortably or mine, or that you are *exploiting* me unless any one of these conditions are met or that I am *exploiting* you if the standard is exceeded.

The real issue, which is obscured in most discussions about trade and globalization is related to a cognitive bias. We are often unaware of the extent of poverty in the developing world until we come into contact with it, which has happened more frequently through economic globalization. We think that trade has caused poverty when it has really just exposed us to it.

On a missions trip to Guatemala a few years ago, we took a break from what we were doing to take a five mile hike up a very steep volcano. Getting close to the top, we encountered a

Mayan peasant family carrying wood back down to the village to cook their food and heat their home. They carried the wood lashed to their backs. The father was carrying perhaps 100 pounds, the mother maybe 75 pounds, and the children 30-50 pounds each, an agonizing journey down to the village several miles below that would make any chiropractor cringe.

The desperate poverty of rural peasants is largely hidden; the fifty cents-an-hour wage in textile manufacturing plants to make the shoes we import may be less so. However, the latter reflects the former: Most people in developing countries are extremely poor. International trade does not make them worse off. It typically makes them better off--but starting from a tragically low base.

But if international trade is so wonderful, then why do so many people seem to oppose it? The answer is that while trade increases social welfare overall in a trading country, *within* countries there are both winners and losers from trade.

The winners in the typical pattern of today's economic globalization include 1) consumers in both rich and poor countries; and 2) workers who possess skills that are associated with a country's actual or potential *exports*, which would include, say, aircraft workers in the United States, automobile workers in Mexico, and garment workers in Asia.

The losers in the typical pattern of today's economic globalization essentially consist of one group: workers who possess skills that are associated with a country's actual or potential *imports*. Examples of these would be garment workers in the United States, corn farmers in Mexico, and vegetable growers in France. In these examples, productivity relative to wages is too low compared to other places in the world, resulting in a diminution of these industries under trade, and an often painful dislocation of these workers to other industries.

The pain of the relatively small group of losers from trade is more sharply felt than the gain over the larger number of winners. As a result, the voice of the losers is disproportionately factored into the formulation of trade policy. Part of the issue is, again, a cognitive bias with respect to the benefits and costs of international trade. When a plant closes due to pressures from international competition, it makes newspaper headlines. However, when a handful of jobs are added to thousands of previously existing firms, or when a new firm starts up and creates a few jobs due to expanded international opportunities, no one notices much--even if on the whole, the benefits to people outweigh the costs.

Here is how trade affects the poor across the world today: Trade typically *hurts* poor workers in rich countries like the United States, and *helps* poor workers in developing countries. This would seem to then create an ethically ambiguous effect of trade based on biblical principle #1, but this is where biblical principle #3 comes into play. As Christians, we cannot oppose economic globalization because we favor the well-being of our workers over workers in other countries.

As such "Buy America" campaigns are inconsistent with a Biblical view of justice. On the contrary, because workers in other countries are poorer than even the poorest of our displaced workers, we should welcome new opportunities that arise for workers in the developing countries, while supporting a strong social safety net and generous re-training and educational programs for our own displaced workers at home.

Where can Christians play an active role in ensuring that economic globalization develops in a way that is consistent with God's concern for the poor in all countries?

One obvious action that Christians can take is to support the interests of the developing countries in the Doha round of the World Trade talks. The Doha round was begun to incorporate the poorest countries of the world into a free and fair global trade system, and address issues that were neglected by the previous Uruguay round.

As the Doha round began, the World Bank had estimated that better poor-country access to rich-country markets would increase world income by \$520 billion, and would lift 144 million people out of poverty by 2015. But both the U.S. and the European Union have consistently formulated policies based on the special interests of their own producers over their own consumers and the welfare of poor farmers in developing countries. Such policies violate all three biblical principles that I mentioned: God's concern for the poor, favoring interdependence over independence, and that God is not a patriot.

Support of economic justice in trade negotiations implies taking a strong stand against trade policies that favor domestic interests, especially of the rich, over the welfare of the poor in developing countries. One clear example of this is the system of subsidies, tariffs, and non-tariff barriers in rich-country agriculture.

In many instances, agriculture represents a comparative advantage for poor countries. When rich governments shower their (often corporate) farmers with subsidies and import-killing tariffs, it is devastating to peasant farmers in developing countries, who otherwise would enjoy a comparative advantage in the export of such crops.

Agricultural trade protection in the United States and the European Union amounts to a staggering \$300 billion per year, approximately *six times* the amount these nations spend on foreign aid. In fact, some African leaders have even stated that they would be happy to have their foreign aid budget cut to zero if only the rich countries would remove these oppressive trade barriers in agricultural products.

The U.S. share of this \$300 billion is mighty. In no small part this is a result of the Bush Administration-sponsored 2002 Farm Bill, which represented an 80 percent increase in agricultural spending to subsidize and protect U.S. agricultural products such as barley, corn, cotton, rice, and wheat.

Because votes from senators in the low-population farm states have a disproportionate impact on trade policy, and these senators are heavily lobbied by corporate farming interests,

agricultural subsidies have come to represent an egregious form of U.S. corporate welfare that exacts a destructive toll on farmers in the developing countries.

One of the more appalling examples is the \$4 billion in agricultural subsidies 25,000 U.S. cotton farmers receive to grow \$3 billion worth of cotton. According to the International Cotton Advisory Committee, an international consulting organization, these U.S. cotton subsidies have caused a 26% decline in world cotton prices.

The massive subsidy greatly depresses world prices for cotton, helping to keep 15 million cotton farmers mired in poverty from some of the poorest countries in West Africa, including Benin, Chad, Mali and Burkina Faso. Notice that if farming costs for cotton farmers in these countries are, say, one-half of revenues, this means that U.S. cotton subsidies cut household income by more than *half* for these rural families! Such policies clearly contradict Biblical principles #1 and #2, but are supported by the "Bible Belt" states of the Midwest.

Concerned Christians should support the efforts of the WTO to force the removal of the subsidies for the benefit of impoverished farmers in developing countries, particularly in West Africa and vote senators and representatives out of office who favor U.S. agricultural protection.

Another crucial role that Christians can play is to consistently support policies and programs that provide economic opportunities for the poor in developing countries. The remedy for poverty is not to discourage international trade, but instead to raise wages and living standards in developing countries by helping them to invest in education, improve health, foster appropriate technology transfer, empower the entrepreneurial poor with microfinance, create stable and just governance structures that promote indigenous economic activity, along with a host of other potentially helpful approaches. Any effort to empower the poor and make them more economically productive even in *domestic* industries will put upward pressure on wages and working conditions in *export* industries.

Christians concerned about the poor need to think smart about globalization. We need to learn to partner with the poor in developing countries by allowing them access to our markets, and promoting policies that allow them to thrive in an environment with increasing levels of productivity and economic opportunity.

BRUCE WYDICK is Professor of Economics at the University of San Francisco, and faculty advisor to the InterVarsity Christian Fellowship. His book *Games, Institutions, and Economic Development* is forthcoming with CAMBRIDGE UNIVERSITY PRESS.

**Top Ten Action Steps for Christians in an Age of Globalization:**

10. Read excellent books on globalization from a balanced Christian perspective, such as Globalization and the Good (2004, Peter Heslam, Editor). This book is a collection of essays from theologians, economists, political scientists, sociologists and businesspeople brought together by the London Institute for Contemporary Christianity that offers a variety of insightful perspectives on globalization.
9. Read excellent books with different perspectives on globalization from secular writers such as Making Globalization Work (2006) by Nobel Laureate Joseph Stiglitz and The Elusive Quest for Growth (2002) and White Man's Burden (2006) by William Easterly.
8. Let globalization work directly for the poor by directly purchasing the products of artisans in developing countries through online websites such as [PEOPLink.org](http://PEOPLink.org). Encourage indigenous artisanship and artistic creativity in developing countries at all levels.
7. Christians must support efforts to protect the environment during the process of economic development and globalization. Develop a long-term relationship with an organization that is doing ongoing work to protect the environment in developing countries such as Evangelical Environmental Network, EarthCare, Floresta (a wonderful Christian NGO promoting re-forestation), or Oxford's Christian environmental group, Sage.
6. Support efforts to empower entrepreneurs in developing countries via microfinance. Read Banker to the Poor (1999) by recent Nobel Peace Prize winner Muhammad Yunus. Directly provide a microloan to an entrepreneur in a developing country via [Kiva.com](http://Kiva.com).
5. Sponsor a child through a Christian NGO such as Compassion International, World Vision, or Proyecto Fe, and visit your child in his or her home country. This is one of the most basic ways to make a difference. Children receiving a quality education in developing countries are more likely to acquire the skills that enable them to reap the positive gains from a globalizing world.
4. Write your senator and member of congress, urging him or her to oppose U.S. domestic agricultural subsidies.

3. Write letters to the editor of your local newspaper articulating your support for the Doha round of the WTO trade talks as they seek to eliminate agricultural tariffs, quotas, and subsidies in Europe, Japan, and the United States that discriminate against poor farmers in developing countries.
2. Reflect on the teachings of Scripture about God's love for all peoples of the world. Eschew a patriotism that favors domestic interests over the interests of the poor in other countries.
1. Pray for a globalization that yields equal access to markets for the poor, protects the global environment, and promotes the common good rather than the interests of the few.