Today's world is a place of exploding opportunities. Technological change is transforming the world. Even in the midst of intermittent economic crisis, people in the West live better than at any point of human history.

Yet tragedy abounds in this world of plenty. Hundreds of millions of people live in miserable poverty. Malnutrition and even starvation stalk many lands. The opportunities that people in the West take for granted are absent from much of the world. Jesus said that “The poor you will always have with you,” which means that the obligation to assist those in need is also constant. The obligation is not only to those among the community of faith. “Let us do good to all people,” the Apostle Paul wrote the Galatian church.

Industrialized states have tried different strategies to spur economic growth around the world. Communism, socialism, and other state-led development systems have been a bust—disastrously so. Foreign aid has done more to retard than speed growth. Well-intentioned efforts like the Peace Corps have had little permanent or systematic effect.

Without doubt, many such international efforts have been well-intentioned. However, good intentions are not enough. Suppose a brother or sister is in need, wrote James. “If one of you says to him, ‘Go, I wish you well; keep warm and well fed,’ but does nothing about his physical needs, what good is it?” Similarly, what good are government “aid” programs which do not in fact help?
What is working, in contrast, is the process of globalization. Often there is no intent to help anyone other than the individual buyers and sellers. However, bringing underdeveloped states into the global system of exchange—even if sometimes inadvertently and incidentally—has proved to be a powerful engine of development. Such growth, though not always distributed equally, has in turn provided a powerful force for alleviating poverty. Quite simply, “integration accelerates development.” Globalization is proving to be the most powerful force against global poverty ever discovered.

Both wealthy, industrialized nations and poor, developing nations have a stake in globalization. However, World Bank economists David Dollar and Aart Kraay argue, “After all the rhetoric about globalization is stripped away, many of the policy questions come down to whether the rich world will make integrating with the world economy easy for those poor communities that want to do so. The world’s poor have a large stake in how the rich countries answer.”

THE PROCESS OF GLOBALIZATION

The debate over globalization—especially the criticism leveled by Western elites who currently enjoy the benefits of industrialized society—suggests that globalization is something new. It is as if for most of human history there was little contact between different peoples; then, near the end of the twentieth century, people realized they were not alone and started trading together, largely as directed by Americans.

This is a curious vision which has nothing to do with reality. The Bible describes religious peoples who created a legal order based on property rights and commerce. God might have assigned ownership in his commandments, but men enforced the result. Ahab and Jezebel conspired to murder a man in order to forcefully seize his vineyard, but God condemned their actions.

In his famous parable about the laborers, Jesus compared God’s kingdom to a vineyard where the landlord chose to pay everyone the same, regardless of effort that each worker had put into the job. He was free to do so as long as he paid everyone at least the agreed upon wage: “Don’t I have the right to do what I want with my own money?” Similarly, James complained not about how much the rich paid in wages, but the fact that they failed to pay what they promised: “The wages you failed to pay the workmen who mowed your fields are crying out against you. The cries of the harvesters have reached the ears of the Lord Almighty.”

Paul inveighed against “swindlers” and the “greedy,” not against entrepreneurs. Similarly, he warned that “the love of money is a root of all kinds of evil,” not the use, investment, or lending of money. Ananias and Sapphira were punished not for inadequate giving—though God expects this to be generous, even cheerful—but for lying about their gift: “ Didn’t [the land] belong to you before it was sold? And after it was sold, wasn’t the money at your disposal?”

Moreover, Paul’s letter to the Ephesians reveals a Greek society planted in Asia Minor, an early example of globalization. So was the licentious city of Corinth, a major port and trading center. There Paul called upon his readers to leave their lives of sin, not of commerce.
Of course, there is no doubt where a person’s heart should be. A person whose heart lies in wealth should take heed of Jesus’ warning that “it is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God.” In fact, in the ancient world, those who most desired money usually wielded political or military power, which were the only sure vehicles to achieve wealth. King Ahab is a good example of how those in power used coercion to get what they wanted. Even these days, most of those involved in the commercial world cared about much more than their cash balance.

In any case, the desires to trade, explore, and colonize are ancient, indeed, basic to the human person. There probably never was a time, and certainly not in the biblical world, when people did not engage in voluntary economic exchange. However, throughout most of human history the process was limited in geography and scope, and so was its economic impact.

Today, globalization seems to be everywhere. The process began accelerating centuries ago. Karl Marx and Friedrich Engels foresaw the triumph of globalization, though the process may have taken longer than they originally expected:

The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilization. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians’ intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become bourgeois themselves. In one world, it creates a world after its own image.

There have been several waves of globalization. For instance, exploration and colonization effectively expanded the world in the fifteenth and sixteenth centuries. Nevertheless, observed economists Peter H. Lindert and Jeffrey G. Williamson:

There was no great march towards globalization after the 1490s and the voyages of de Gama and Columbus, despite the rhetoric about an early modern ‘world system.’ Granted, the early voyages made spice price markups a little less astronomical than in the days when the Arabs and Venetians monopolized long-distance trade. Yet there was no further progress toward price convergence in spices or any other long-distance tradable in the three centuries from the early and mid-1500s to the 1820s.

Most important, there was little impact on living standards generally.

Lindert and Williamson contended that the first genuine “globalization boom” occurred between 1820 and 1914. They pointed to “the liberal dismantling of mercantilism and the world-wide transport revolution” which “worked together to produce truly global markets.” Dollar and Kraay cited the same period, during which “international trade increased faster than the global economy.” Large-scale emigration also characterized this era. Between 1870 and 1910, some sixty million people left Europe for America or elsewhere. Dollar noted that “these flows were a powerful force for wage convergence.”

Other dates have been suggested for the onset of globalization. For instance, Dollar separately proposed 1870 as the starting point, given declining transportation costs and Anglo-French agreement on commercial ties. Economists Jeffrey D. Sachs and Andrew Warner contended that the “first episode of global capitalism” was through colonialism starting around 1840, when “Western European powers
wielded their superior industrial—and hence military—power to challenge traditional societies around the world.”

Of course, this policy was morally grotesque, as the experience of the Congo and other brutalized lands demonstrated. The lack of a biblical proscription to commerce in no way justifies trade arising from Western invasion and coercion.

However, colonialism, despite its assault on basic human dignity, did forcibly spread economic development through much of Africa, Asia, and Latin America. Another form of military power was used in Asia, most dramatically against Japan: “Under the persuasion of American gun ships, Japan switched from virtual autarky to free trade in 1858.” In order to avoid Western domination, Japan adopted its own version of shock therapy and rapidly industrialized with a policy of largely free trade, “since the dominant Western powers imposed low Japanese tariff levels through ‘unequal treaties’ that lasted until the end of the century.” China suffered in a different way, with European governments creating formal concessions on Chinese territory.

As Western domination spread, so did Western economic rules, including the gold and silver monetary standards and business and commercial codes. International organizations, such as the Universal Postal Union, also helped to draw the world closer together. Lindert and Williamson noted, “Whether they liked it or not, prior to 1870 the most important part of the periphery underwent tremendous improvements in their terms of trade by this policy switch, and it was reinforced by declining transport costs world-wide.”

Technology interacted with economic and military advances. Sachs and Warner pointed to breakthroughs in communications, medicine, and transportation: the spread of telegraph lines and transoceanic cables, development of quinine which bested malaria, and creation of the Panama and Suez Canals as well as rail lines throughout India, Latin America, Russia, and the United States. Also important was mass migration in an era before strict immigration controls, which “made an important contribution to late nineteenth-century convergence.”

All told, “The system was highly integrative, as in the present.” In countries as different as the United States, Russia, and Latin America, as well as the colony of India, “overall growth of GDP and exports was very rapid, indeed historically unprecedented.” Income grew swiftly as well, and it was a period of economic convergence, as colonies as well as peripheral European states narrowed the income gap with the more advanced industrialized states, most notably Britain, France, and Germany. Economist Lloyd Reynolds reported that “politics apart, the main factor determining the timing of turning points has been a country’s ability to participate effectively in the trade opportunities opened by expansion of the world economy.”

Although many of these phenomena had occurred in the past, they were less pronounced and had not come together in such a comprehensive fashion. The World Bank explained, “Historically, before about 1870 none of these flows was sufficiently large to warrant the term globalization.”

The result was a world that felt a bit like the world of today. John Maynard Keynes wrote of the “extraordinary episode of the economic progress of man” which allowed “the inhabitant of London [to] order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep.” Moreover, he
could travel the world largely unmolested and “regarded this state of affairs as normal, certain, and permanent, except in the direction of further improvement.”

Unfortunately, World War I intervened. In addition to wreaking mass slaughter and extensive physical destruction, the conflict devastated national economies and wrecked the international economic system. The onset of the Great Depression turned protectionism into the policy of choice for many. According to Sachs and Warner, “Throughout the world, state planning, authoritarianism, and militarism competed with limited government and market-based economies. Whether or not economic theory offered insights and predictions about these alternative strategies, political leaders felt compelled to push for new and radical experimentation.”

Notably, none of the transformational factors which advanced globalization disappeared. Rather, state policy changed, limiting immigration, trade, and capital flows. As Lindert and Williamson explained,

> What distinguishes the interwar period is that globalization was dismantled solely by government policy. Governments imposed trade and factor market barriers where there were none before, and some even blocked communications. The interwar was not marked by some disappearance of the previous non-policy sources of globalization. The big productivity gains in transportation and communications did not evaporate…In short, the interwar retreat from globalization was carried by anti-global economic policies.

Contrary to what today’s critics of globalization would expect, the poor did not prosper as autarchy reigned. Rather, the result was less investment and trade, slower economic growth, lower incomes, slower decline in the incidence of poverty, and greater inequality. “The world’s experiment with reversing globalization showed that it was entirely possible but not attractive.”

It took another, even greater geopolitical catastrophe to prepare the world for another wave of globalization. After the end of World War II, little of the global system had not been wrecked: “International markets for trade in goods, services, and financial assets were essentially nonexistent. International trade was destroyed by currency inconvertibility and a web of protectionist measures stemming from the Great Depression and World War II.” Or put another way, “protectionism had erased 80 years of progress in transportation.”

The victorious allies were able to essentially begin the world anew, with the creation of the Bretton Woods institutions, such as the World Bank and International Monetary Fund. Transportation costs continued to fall while the industrialized states reduced tariffs among themselves. Not only trade but manufacturing specialization increased, helping “to drive up the incomes of the rich countries to the rest.”

However, the development of an extensive communist bloc and largely statist/socialist independent Third World sharply limited international integration. The World Bank noted, “During the second globalization wave most developing countries did not participate in the growth of global manufacturing and services trade. The combination of persistent trade barriers in developed countries, and poor investment climates and anti-trade policies in developing countries, confined them to dependence on primary commodities.” Indeed, seventy-eight nations of the latter “chose some form of inward-looking development strategy in the post-war period.”

As a result, added Sachs and Warner: “The world economy was essentially closed after World War II, and only around 20 percent of the world’s population lived in open economies by 1960. It was not until 1993
that more than 60 percent of the world’s GDP, and more than 50 percent of the world’s population, was located in open economies.” The causes were many, ranging from the persistence of institutional arrangements created during the Great Depression and World War II to dirigiste intellectual currents which dominated development policy. The result was “an overwhelming turn toward socialism” which kept developing states outside of the international circle of exchange. For the first decades after World War II, there were two different trading systems in practice—intra-North, which spurred income growth and reduced income inequality, and North-South, which left the Third World impoverished and stagnant.

Even as the new globalization wave began to build, it was different than earlier ones. Although trade barriers ultimately fell, international income inequality was higher, and there was less labor migration and capital movement. Washington played an important role in determining the new rules: “These differences are tied to policy changes in one dominant nation, the United States, which has switched from a protectionist welcoming immigrants to a free trader restricting immigration.”

Developed states, especially in Europe, began to liberalize and integrate during the 1950s and 1960s. The Common Market—later transformed into the European Union—was the principal vehicle for what had been the geographic epicenter of World War II. As a result, the industrialized “economies surged ahead with unprecedented growth rates,” as relatively poorer countries grew most swiftly. Unfortunately, “during this second wave most developing countries remained stuck in primary commodity exporting and were largely isolated from capital flows.” In the main, developing states delayed until the 1970s and 1980s to reform in major ways. The former Soviet bloc had to wait until the dissolution of the Soviet Union.

The final globalization wave has been the most dramatic, “spurred by technological advance in transport and communications technologies and by the choice of large developing countries to improve their investment climates and to open up to foreign trade and investment.” Particularly important were tariff reductions in developing countries, and many of them also “undertook reforms involving investment liberalization, stabilization, and property rights.” Sachs and Warner observed: “The years between 1970 and 1995, and especially the last decade, have witnessed the most remarkable institutional harmonization and economic integration among nations in world history. While economic integration was increasing throughout the 1970s and 1980s, the extent of integration has come sharply into focus only since the collapse of communism in 1989.” It was the time when “some developing countries, accounting for about three billion people, have succeeded for the first time in harnessing their labor abundance to give them a competitive advantage in labor-intensive manufactures and services.”

Dollar and Kraay pointed to 1980, until which “international capital flow, measured as foreign ownership of assets relative to world income…did not return to 1914 levels.” Trade and investment are important aspects of the wave, and additional nations continue to join the world of international commerce. David Dollar explained, “What is distinctive about the third wave of globalization that began in the late 1970s is that for the first time large developing countries chose to open up to foreign trade and investment.”

Even Africa, long the global laggard, is enjoying an economic boom. Goods and capital, though not labor, have become mobile almost everywhere. While travel has increased, permanent immigration has dropped dramatically: ten percent of the population relocated between 1870 and 1910, but only one-to-two percent does so in modern times.
There is another important aspect to the latest economic transformation. Organizations such as the International Monetary Fund and World Trade Organization have almost universal memberships and are promoting near universal rules. These institutions have helped lock in changes which in the past were vulnerable to reversal depending on domestic and international politics. Sachs and Warner noted, “Integration means not only increased market-based trade and financial flows, but also institutionalized harmonization with regard to trade policy, legal codes, tax systems, ownership patterns, and other regulatory arrangements. In each of these areas, international norms play a large and often decisive role in defining the terms of the reform policy.”

Still there is a sense of déjà vu that the globalization show has been played out before. Sachs and Warner argued, “The world economy at the end of the twentieth century looks much like the world economy at the end of the nineteenth century. A global capitalist system is taking shape, drawing almost all regions of the world into arrangements of open trade and harmonized economic institutions.” The result should be greater convergence. However, nothing is inevitable. Hopefully, the ultimate outcome will be better than before, when politics sabotaged what otherwise appeared to be an appealing future with virtually unlimited economic horizons.

GLOBALIZATION AND WEALTH CREATION

If there is one unambiguous economic lesson from the twentieth century, it is that markets out-perform government-led development strategies. There is no inherent biblical reason to choose either path; but where both are permissible, the practical benefits of the former provide an overwhelming case for economic liberty.

This conclusion is evident even from short-lived liberal experiments. For instance, Sachs and Warner reviewed the experience of seventy-eight non-communist Third World states which followed more autarchic, dirigiste economic policies. Many temporarily opened their economies, only to close them again before permanently joining the global system. Still, “the periods of temporary openness were often characterized by sustained economic growth at a higher level than during the subsequent period of closure.” That is, even short-term market-integration offered measurable economic benefits.

Permanent reform is far better. Of course, globalization does not mean that every nation must follow the standards of Milton Friedman. In fact, no nation’s economic policy, including that of the United States, is free from political interference. What is required is general market-friendliness.

Consider the celebrated “Asian tigers.” Sachs and Warner observed,

> It has become fashionable to argue that East Asian countries are not really open or market-oriented, and that, in fact, they systematically ‘got the prices wrong’ to spur industrial growth. It is surely true that Korea, Taiwan and Indonesia are not laissez-faire, but they and their neighbors in Southeast Asia, Thailand and Malaysia, have been more open to trade than other developing countries.

Many economic advantages result from globalization, including expanded markets, more intensive division of labor, and enhanced spread of new technologies and processes. Put simply, “it is easy to see how integration and innovation can be mutually supportive.”
Overall, open economic policies encourage investment, raising capital accumulation. Expanding trade also helps transform economies upward. Despite fears that an emphasis on raw material exports would prevent industrialization, it turns out that “Open economies continue to display much greater dynamism in changing their export structure from primary commodities to manufactures.” Indeed, a recent World Bank report found that “Whereas 20 years ago most exports from developing countries were of primary commodities, now manufactures and services predominate.”

Although the correlation between international openness and economic growth is obvious, even the World Bank admitted that it is difficult to prove causation. Nevertheless, the Bank observed, “The doubts that one can retain about each individual study threaten to block our view of the overall forest of evidence. Even though no one study can establish that openness to trade has unambiguously helped the representative Third World economy, the preponderance of evidence supports this conclusion.”

Unfortunately, liberalizing trade in and of itself may not be enough to overcome malincentives from other policies, and thus the economy could “stay at a suboptimal equilibrium for decades.” Economist Anders Aslund noted that there are numerous factors which contribute to the success of economic reform. The World Bank pointed to important barriers which often inhibit development: “inefficient regulation, corruption, infrastructure weaknesses, and poor financial services.”

However, at its best, globalization involves more than just trade. Dollar and Kraay noted that “internal comparisons are important because, by holding national trade and macroeconomic policies constant, they reveal how important it is to complement trade liberalization with institutional reform so that integration can actually occur.”

A government committed to an outward economic orientation is more likely to promote market policies at home, and good policies reinforce each other. For instance, reform expands trade. A half-century ago, economists recognized that “experience shows that the greatest and fastest-growing volume of trade takes place among nations where internal development is proceeding most rapidly.”

Moreover, international liberalization is likely to improve the domestic investment climate. The World Bank noted that “allowing foreign firms to provide financial services, telecommunications, and power can be a good strategy for strengthening the investment climate.” Indeed, argued Sachs and Warner, “trade reform is almost always accompanied by a much broader range of reforms, including macroeconomic stabilization, internal liberalization (for example, the end of price controls), legal reform, and often extensive privatization.” In general, then, “trade reform has been part of the overall institutional harmonization with the advanced market economies,” giving full meaning to the process of globalization.

Globalization creates wealth in several ways. The World Bank explained that “more integrated economies tend to grow faster and this growth is usually widely diffused. As low-income countries break into global markets for manufactures and services, poor people can move from the vulnerability of grinding rural poverty to better jobs, often in towns or cities. In addition to this structural relocation, integration raises productivity, job by job.”

The results have been dramatic. According to Sachs and Warner, “We find a strong association between openness and growth, both within the group of developing and the group of developed countries. Within the group of developing countries, the open economies grew at 4.49 percent per year, and the closed economies grew at 0.69 percent per year.” Another way to look at the issue is to compare always open

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and always closed economies—the former “outperformed the always-closed economies in every year” despite being “more susceptible to the external shocks of the first half of the 1970s.” By the 1980s the closed economies in aggregate were shrinking.

Dollar and Kraay came to similar conclusions: “The aggregate annual per capita growth rate of the globalizing group accelerated steadily from one percent in the 1960s to five percent in the 1990s. During that latter decade, in contrast, rich countries grew at two percent and non-globalizers at only one percent.” No one could fail to observe what was occurring: the acceleration in growth for the globalizers and deceleration in growth for the non-globalizers occurred over decades.

Moreover, the same pattern was evident within nations: “The locations that are integrating with the global economy are growing much more rapidly than the disconnected regions.” It was not only the overall GDP which was increasing. The World Bank reported, “The growth of wages in the more globalized developing countries…has been far higher than in the rich countries or in the less globalized countries.”

Open economies consistently trended toward convergence. Of 111 nations studied, not one following more market-oriented policies failed to grow at least 1.2 percent a year. Not one open developing country grew less than two percent annually. In contrast, Sachs and Warner found that closed economies “do not display any tendency toward convergence.” Although reforms obviously take time to work, they concluded, “We find no cases to support the frequent worry that a country might open and yet fail to grow.”

A review of the extensive economic literature concluded: “Even though no one study can establish that trade openness has unambiguously helped the representative Third World economy, the preponderance of evidence supports this conclusion.” In contrast, Lindert and Williamson found no country which followed isolationist economic policies to be a winner economically.

Overall, the impact on ordinary people’s lives has been extraordinary. Dollar wrote, “This higher growth rate sustained over several decades makes a huge difference in real living standards. Today, it takes two or at most three years for the world economy to produce all of the value that it produced in the whole of the 19th century. While that comparison, made with national accounts figures, is impressive, it is arguably a serious understatement. Most of what we consume today did not exist two hundred years ago.”

GLOBALIZATION AND POVERTY ALLEVIATION

The impacts of globalization obviously are many and complex. Critics of the process worry that increased production may not be shared with all segments of society. Writing in 1995, Jeffrey Sachs and Andrew Warner noted that poorer states had been slow “to catch up, or converge, with the richer countries.” It is apparent that growth alone does not guarantee a reduction in poverty. For instance, between 1960 and 1980 “the number of the poor rose because growth did not occur in the places where the worst-off live.” Afterwards, however, “the most rapid growth has occurred in poor locations.”

Who benefits from globalization matters. Dollar and Kraay observed, “In the debate over globalization’s merits, its impact on poverty is particularly important.” The process may be important and useful in any
case, since if there is no production, there is nothing to distribute. Distribution, however, matters if one is concerned for “the least of these,” as Christians must be. Thus, globalization deserves greater applause and encouragement the more widely the benefits are shared.

In fact, globalization tends to distribute wealth widely. Dollar and Kraay wrote, “Across all countries, incomes of the poor grow at around the same rate of GDP.” In a separate, detailed paper, the two economists noted that “the incomes of the poor rise proportionately with average incomes.” Thus, explained Dollar elsewhere, “In general, the more rapid growth that developing countries experience as they integrate with the global economy translates into poverty reduction.”

Indeed, the latest wave of globalization has raised hundreds of millions of people out of extreme poverty in just two nations, China and India. The World Bank stated, “The combination of rapid growth with no systematic change in inequality has dramatically reduced absolute poverty in the new globalization countries.” Indeed, the Bank called this time “the golden age. Poverty is predominantly rural. As the new globalizers have broken into world markets, their pace of industrialization and urbanization has increased,” allowing people to move from farms to cities. As a result, “not only has poverty declined viewed in terms of income, but other dimensions of poverty have rapidly improved,” such as length of schooling and life expectancy.

Dollar explained, “This most recent wave of globalization, starting around 1980, represents the first time in history that there has been a large decline in the number of extreme poor in the world.” More desperately poor actually live in developing middle-income than in poor nations, though there is disagreement over where they are likely to be concentrated in future years.

Of course any economic process is likely to have winners and losers. The latter usually include owners, executives, and workers in protected industries. Notably, “these groups are not typically poor.”

Globalization is particularly unfriendly to monopolies, which have been routinely created by Third World governments to benefit influential elites.

However, there may be other losers as well. The process of development transforms entire societies. Indeed, the process that Joseph Schumpeter called “creative destruction” is why globalization is so beneficial: “The firm-level evidence shows that much of the dynamic benefit of open trade and investment comes from more ‘churning’ of plants—less efficient ones die, and new ones start up and expand. With this comes more labor market churning as well—probably the key reason why globalization is so controversial.”

In general, firms which die have lower productivity than those which are created. This drives economic and technological advance and lowers prices. Moreover, firms which export tend to work harder to become productive in order to enter new, more competitive markets. While politicians usually focus on firm destruction, “unless there are significant barriers, the other side is that there are new firms entering the market. The exits often are front-loaded, but the net gains over time can be substantial.”

Much the same occurs at the individual level. “While globalization results in some workers losing their jobs, it leads to substantial job creation as well.” Not only are there more jobs, but they tend to provide higher wages, and many go to women. Put simply, “to the extent that globalization does translate into significant job creation in developing countries, the potential impact on poverty can be dramatic.”
Rapid and widespread wage growth is a change from past episodes of globalization. A century ago, “global per capita income rose at an unprecedented rate, but not fast enough to prevent the number of poor people from rising.” Migration was the most important factor driving a convergence in incomes.

Recently, however, wage growth in globalizing developing states has been twice as fast as in non-globalizing ones—and faster than in industrialized societies. Both investment and trade raise wages, and “workers in general gain from openness, though of course there will be specific losers, particularly workers in heavily protected sectors who shared in the rents of protection.” Growth is both greatest and swiftest for nations which open their economies and attract foreign investment.

As noted earlier, with rising incomes have come improved living standards in other ways. The World Bank reported, “Non-income dimensions of poverty are also diverging. Life expectancy and schooling are rising in the new globalizers—to levels close to those prevailing in rich countries around 1960.”

The greatest moral concern should be reducing poverty, not inequality. Scripture indicates little concern about the existence of the wealthy per se, though God obviously does worry about the state of their souls. The Bible says much more about those who are in absolute, rather than relative, need, such as widows and orphans. Nevertheless, changes in inequality help illustrate the impact of globalization on the former. Overall, international inequality among nations has grown over the last couple of hundred years, though not in the most recent decades.

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However, the World Bank considered whether globalization was increasing inequality. It found that “usually, this is not the case. Most of the globalizing developing countries have seen only small changes in household inequality, and inequality has declined in such countries as the Philippines and Malaysia.” Moreover, greater economic openness to the world has tended to reduce gender inequality.

Nevertheless, there are variations among nations, which mean some societies have grown less equal. Economists Peter H. Lindert and Jeffrey G. Williamson explained that inequality is determined by more than policy changes, including “productivity improvements, rising potential gains from specialization, and transport revolutions, each of which may have very different implications for the distribution of world income compared with policy changes.”

Indeed, the World Bank declared: “The striking divergence between the more globalized and less globalized developing countries since 1980 makes the aggregate performance of developing countries less meaningful.” Policy differences were critical. The Bank pointed to countries such as Burma, Nigeria, Pakistan, and Russia, which “in the 1990s had problems with property rights and overall investment climate.”

Similarly, even where inequality increased, Dollar and Kraay argued that “these shifts cannot be explained by any globalization-related variable.” There are some differences among studies, but the two economists found no “evidence of a significant negative impact of openness to international trade on” the share of income received by the poor. The one exception was their conclusion that capital controls reduced the share for those at the bottom.
In fact, globalization mitigated what would have been a larger increase in inequality: “The dramatic widening of income gaps between nations has probably been reduced, not raised, by the globalization of commodity and factor markets, at least for those countries that integrated into the world economy.”

The latter point is critical. Lindert and Williamson wrote: “The nations that gained the most from globalization are those poor ones that changed their policies to exploit it, while the ones that gained the least did not.” Thus, they found convergence among nations which participated in the more integrated global economy. In contrast, they reported “divergence between those active participants and those who elect to remain insulated from global markets.”

In 2001, David Dollar pointed out that “more than one billion people live in countries or regions within countries that are barely participating in globalization and have not grown during the period.” A decade ago, the Bank worried about nations which were “in danger of becoming marginal to the world economy. Incomes in these countries have been falling, poverty has been rising, and they participate less in trade today than they did 20 years ago.”

Dollar and Kraay made a similar point: “During the 1990s, the economies of the globalizers, with a combined population of about three billion, grew more than twice as fast as the rich countries. The nonglobalizers, in contrast, grew only half as fast and nowadays lag further and further behind.” Thus, the most important income divergence in recent years has occurred among developing states and “is directly related to whether countries take advantage of the economic benefits that globalization can offer.” Indeed, the long increase in global inequality ended only around 1975, and primarily because of the transformation of just two nations, China and India.

Everything depends on economic integration. Sachs and Warner stated, “Open trade leads to convergent rates of growth, that is, to higher growth rates in poorer countries than in richer countries.” The point bears repeating. Liberal trading regimes are good for developed nations. Such systems are even better for poor states. The “historical evidence suggests that when backward economic regions integrate with more advanced ones, their growth rates accelerate and their income levels gradually converge on the leader.”

The reasons are what economists have pointed to for years, indeed, decades and centuries. Comparative advantage improves resource allocation; commerce spreads knowledge and technology; foreign competition creates domestic efficiency through competition.

Detailed research bears out these conclusions. Sachs and Warner explained that “within the group of open economies, the developing countries grew faster (4.49 percent) than the developed countries (2.29 percent). This suggests that within the group of open economies, both developing and developed, we should tend to observe economic convergence.”

Developing countries often turned to open-market reforms out of desperation. There always were a few states which retained more open economies, but most of them opened only in the 1980s or afterward “and usually in response to a deep macroeconomic crisis.” A similar process occurred in the former Soviet Empire. Reforms encouraged growth, and “strong reformers seem to outperform weak reformers both in terms of a smaller decline of GDP…and in terms of an earlier resumption of economic growth.”

Some pessimistic analyses suggest that not all developing states are likely to benefit from a process of convergence—possessing inadequate human capital, for instance. However, Sachs and Warner disagreed.
What is key is being part of the international circle of economic exchange. They wrote, “The most parsimonious reading of the evidence is that convergence can be achieved by all countries, even those with low initial levels of skills, as long as they are open and integrated in the world economy. In this interpretation, the convergence club is the club of economies linked together by international trade.” Thus, economic policies, over which poor nations have control, determine long-term income differences.

More integration would be better. Lindert and Williamson concluded that “all international and intranational effects considered, more globalization has meant less world inequality.” Moreover, while there would still be international inequality in a fully integrated world economy, as there is in every national economy, “they would be less unequal in a fully integrated world economy than in one fully segmented.”

The reverse experience provides evidence to back the same point. After the World War I-era repudiation of economic integration, there was an “acceleration in the rising inequality-between-countries trend.” In fact, that phenomenon was the worst in two centuries. Although military conflict and economic crisis undoubtedly played a role, before 1929, “de-globalization was having an inegalitarian influence independent of war and depression.”

Similarly, noted Sachs and Warner, “The lack of convergence in recent decades results from the fact that the poorer countries have been closed to the world.” Even as globalizing states were moving toward wealthy nation standards, “the less globalized developing economies declined and diverged.” The problem was not just falling incomes, “but in many countries life expectancy and school enrollments declined.” Only in the mid-1990s were many of these nations opening up as part of widespread trade liberalization.

There is a separate and complex issue of income inequality within nations. Wage gaps are inevitable, and the degree of inequality varies by nation and over time. However, there is less inequality in advanced industrialized states than in the only imperfectly and recently globalizing states. “While globalization is not associated with higher inequality within countries, it does redistribute income among groups. Winners and losers will be found both among the rich and among the poor in each society.”

New World Bank data on income indicates that between 1988 and 2008, the greatest beneficiaries of globalization were those between roughly the thirtieth and sixtieth income percentiles and those in the top one percent. Next came those between the tenth and thirtieth income percentiles. Those between the sixty-fifth and ninetieth percentiles as well as those less than the tenth did the worst.

Observed World Bank economist Branko Milanovic:

*The real surprise is that those in the bottom third of the global income distribution have also made significant gains, with real incomes rising between more than 40 percent and almost 70 percent. (The only exception is the poorest five percent of the population, whose real incomes have remained about the same.) It is precisely this income increase in the bottom of the global pyramid that has allowed the proportion of what the World Bank calls the absolute poor (people whose per capita income is less than 1.25 [purchasing power parity] dollars per day) to decrease from 44 percent to 23 percent over approximately the same 20 years.*

Although research indicates that globalization may have increased inequality in some newly industrializing states, the process did not make any group worse off. Even some critics who believe that

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globalization has increased inequality admit that “Globalization and pro-growth policies do reduce poverty.”126

Dollar and Kraay found no evidence to support the “Kuznets hypothesis” that inequality increases at the early stages of development. However, the principal issue is not whether the rich benefit more than the poor, but whether the poor benefit. In general, income groups appear to gain proportionately from growth. Dollar and Kraay wrote, “on average, greater economic integration benefits the poorest in society as much as everyone else.”127

One analysis observed, “Even with its increased inequality, for example, China has seen the most spectacular reduction in poverty in world history—which was supported by opening its economy to foreign trade and investment.”128 This growth, in a society which was noted for its equal distribution of poverty, “has been one of the most dramatic successes in history.”129 “The Chinese case is not typical; inequality has not increased in most of the developing countries that have opened up to foreign trade and investment.”130 Many other developing states have enjoyed both rising incomes and falling inequality.131

Inequality within nations results from much the same causes as inequality among nations. Lindert and Williamson explained,

The rising inequality in these countries was not evident among persons and households in the newly-trading regions and sectors. Rather, it took the form of widening gaps between them and the less prosperous, non-participating regions. The poorest regions and the poorest countries were probably not hurt by globalization, they just failed to be part of it. Where the non-participants were actively excluded, the policies yielding that inegalitarian result can hardly be called liberal, but globalization cannot be made to take the blame.132

Similar results are evident with domestic development: greater national integration leads to higher growth.133 That also appears to be the case in China, where domestic integration varies by province.134

Thus, blame the inequality on “poor government and non-democracy in those lagging countries, not globalization.”135 Dollar and Kraay came to a similar conclusion. They explained that the increases in inequality in some nations “are not systematically linked to globalization measures such as trade and investment flows, tariff rates, and the presence of capital controls. Instead, shifts in inequality stem more from domestic education, taxes, and social policies.”136 Many non-globalizing states “offer an unattractive investment climate. Even if they decide to open themselves up to trade, not much is likely to happen unless other reforms are also pursued.”137

While Dollar and Kraay found no systematic statistical relationship between domestic reform policies and the share of income earned by the poor, they concluded that “growth-enhancing policies and institutions tend to benefit the poor and everyone else in society proportionately.”138 The two economists emphasized that this is not “trickle-down,” but the creation of “a good environment for poor households to increase their production and income.”139 However, there are exceptions: “There is some weak evidence that smaller government size and stabilization from high inflation disproportionately benefit the poor by raising the share of income accruing to the bottom quintile.”140 Indeed, social spending is negatively related to the income share possessed by the poor, which “reminds us that public social spending is not necessarily well targeted to the poor.”141
Moreover, poor policies exacerbate the risk of financial crises. The World Bank noted that when “when countries first liberalize their financial sector, volatility and crises are more likely to arise if they have vulnerable fundamentals.” Reform such as increased transparency and improved crisis management could reduce the incidence of such crises.

Only developing states can ensure that their own policies promote growth. But the West has a separate responsibility to ensure that its policies allow developing states to enter into the international circle of exchange. Much is at stake. The World Bank observed, “This third wave of globalization may mark the turning point at which participation has widened sufficiently for it to reduce both poverty and inequality.”

CONCLUSION

Development is a difficult and painful process, especially for traditional societies which are being rushed into the industrial age. Globalization adds another complication to an already complex transformation of developing states. Its impact on the poor is extraordinarily important. Dollar and Kraay noted that “if international trade and investment primarily benefit the rich, many people will feel that restricting trade to protect jobs, culture, or the environment is worth the costs. But if restricting trade imposes further hardship on poor people in the developing world, many of the same people will think otherwise.”

That feeling likely is even stronger for Christians. A process which makes the wealthy wealthier may do so without making the poor poorer. This would be morally acceptable; however, neither would it be morally compelling. In contrast, a process which at least benefits all, and especially one which most helps “the least of these,” would offer believers the most convincing reason to offer their full support. Such is the process of globalization.

Issues involving cultural homogenization, labor standards, and environmental protection obviously are important. However, the impact of globalization and economic growth on such factors is complex. For instance, globalization can “increase diversity as foreign cultures are introduced by the power of communications and market, and by immigration. It reduces diversity if a foreign culture displaces local culture. Both these effects can be problematic.”

However, limiting growth is not a good solution, especially when growth can act as a long-term solution by raising incomes and providing resources for increased cultural creation and better conservation practices, for instance. Indeed, the World Bank reported: “Despite widespread fears, there is no evidence of a decline in environmental standards” due to globalization. Quite simply, “the cost of making a plant less polluting is usually remarkably cheap” compared to the other “large cost differences between locations.”

Moreover, poor countries have been seeking to meet challenges such as child labor. These nations simply cannot afford to adopt the standards of industrialized states which the latter could not have met while developing. Warned the World Bank: “Imposing trade sanctions on countries that do not meet first-world standards for labor and environmental conditions can have deeply damaging effects on the living
standards of poor people.” The most essential challenge—for religious and secular people alike—is dealing with poverty. Once nations are on the path of economic growth, much more becomes possible.

Nor is international economic integration enough because “open trade and investment policies are not going to do much for poor countries if other policies are bad.” The World Bank explained that, “Integration would not have been feasible without a wide range of domestic reforms covering governance, the investment climate, and social service provision.” Without sound domestic policies, it will be difficult to attract foreign investment and generate long-term economic growth. More than good economic policies are required. Dollar observed, “You can have very open policies on the books, but if the rule of law is poor and corruption rampant, then of course what is on the books does not really matter.” Still, greater foreign openness is likely to encourage greater domestic reform.

Obviously, development should not be forced upon recalcitrant populations. However, the evidence is overwhelming that globalization benefits “the least of these.” The process has reduced not only poverty but inequality: “Between countries, globalization is now mostly reducing inequality.” Thus, governments should adopt policies which encourage the process. “All parties should recognize that the most recent wave of globalization has been a powerful force for equality and poverty reduction, and they should commit themselves to seeing that it continues, despite the obstacles lying ahead.”

Unfortunately, though industrialized states impose relatively low tariffs, “they maintain barriers in exactly the areas where developing countries have comparative advantage: agriculture and labor-intensive manufactures.” The First World should cut these levies. Unfortunately, there is little political support for lowering existing commercial barriers. To the contrary, protectionist pressures are increasing: “A growing protectionist movement in rich countries that aims to limit integration with poor ones must be stopped.”

Also, “more migration, both domestic and international, must be permitted when geography limits the potential development.” Greater labor freedom would enhance the benefits of other economic reforms. The World Bank explained that “migration can facilitate the other flows of globalization—trade, capital, and ideas.” The benefits to poorer states of migration are obvious, but wealthy nations also would gain. Dollar and Kraay acknowledged that wealthy nations are not prepared to open their borders, but “if rich countries would legally accept more unskilled workers, they could address their own looming labor shortages, improve living standards in developing countries, and reduce illegal human traffic and its abuses.”

It is risky to claim a Christian position on immigration, since believers are firmly on both sides of the issue. In biblical times, sojourners were to be welcomed and treated with dignity—see Leviticus 19:33 for example—though that doesn’t necessarily mean there is a godly imperative to add such people to one’s political community. Nevertheless, compassion should undergird any policy, and the benefits of immigration at least suggest a relatively more open approach.

Developing nations also must embrace the full potential of globalization by acquiring “the kinds of institutions and policies that will allow them to prosper.” There are various reasons that some have not, including geographic limitations and policy failures. But past problems and inherent disadvantages only make it more imperative that governments make tough political decisions that will offer long-term economic benefits. The World Bank said, “Our research shows that open trade and investment policies
are not going to do much for poor countries if other policies are bad. The locations in the developing world that are prospering during this most recent wave of globalization are ones that created reasonably good investment climates.” It is never too late to reform, though the longer the decision is delayed, the greater will be the harm suffered by the population.

People today can learn much from history. A century ago, the process of globalization and economic integration was reversed, with horrendous consequences. The 2008 financial crisis and recession have generated calls for retreat. It is important not to give in to such pressures. The World Bank concluded, “Many poor people are benefiting from globalization. The challenge is to bring more of them into this process, not to retreat to the insularity and nationalism of the 1930s.”

In the end, globalization is about more than economics. America is a free and prosperous society, but Americans also want to be a good society. The desire for a good society requires considering the impact of policies on those with the fewest opportunities and greatest disadvantages.

By this measure, the process of globalization is a positive good. It is imperfect, to be sure, as are all human endeavors; but it is beneficial. Certainly it is consistent with biblical norms.

Some critics of globalization have contended that the process has helped the rich and hurt the poor. However, the best research indicates that this is not accurate: “Poverty is falling rapidly in those poor countries that are integrating into the global economy.” Global inequality, once rising, also is falling.

Today’s challenge is to bring more of the poor into this process. There also is conflict to end and peace to spread. There is discrimination to fight and prejudice to eliminate. Much more can be done to improve the shared human community. Even so, the world will remain imperfect, falling far short of the kingdom of God.

Nevertheless, expanding economic opportunity is the basis for much good. People in the West live better than any people have ever lived. Globalization is making it possible for residents of poorer societies to imagine themselves and especially their children enjoying the same opportunities. Further expanding this global community is a worthy endeavor for all, and especially for Christians with a passion for those who have the least.
Doug Bandow serves as Senior Research Fellow at the Institute for Faith, Work & Economics. He is also a Senior Fellow at the Cato Institute and in International Religious Persecution at the Institute on Religion and Public Policy.

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1 Mark 14:7, NIV.
2 Gal. 6:10.
3 James 2:16.
6 Deut. 27:17.
7 1 Kings 21:1-16.
8 Matt. 20:15.
9 Jam. 5:4.
10 1 Cor. 5:10.
11 1 Tim. 6:10.
14 1 Kings 21.
17 Lindert and Williamson, 5, 6.
19 Dollar, 6.
21 Sachs and Warner, 5-6.
22 Lindert and Williamson, 7.
23 Sachs and Warner, 6.
24 Lindert and Williamson, 7-8.
25 Lindert and Williamson, 14.
26 Sachs and Warner, 8.
27 Quoted in Sachs and Warner, 8.
28 Globalization, Growth, and Poverty, 23.
29 Quoted in Sachs and Warner, 9.
30 Sachs and Warner, 10.
31 Lindert and Williamson, 18.
32 Globalization, Growth, and Poverty, 27.
33 Sachs and Warner, 11.
34 Globalization, Growth, and Poverty, 4.
35 Globalization, Growth, and Poverty, 28.
36 Globalization, Growth, and Poverty, 29.
37 Sachs and Warner, 21.
38 Sachs and Warner, 12.
40 Lindert and Williamson, 20.
Globalization, Growth, and Poverty, 4.

Globalization, Growth, and Poverty, 4.

Globalization, Growth, and Poverty, 4-5. See also pages 32-33.

Globalization, Growth, and Poverty, 36.

Sachs and Warner, 1.

Globalization, Growth, and Poverty, 31-32.


Dollar, 2.


Sachs and Warner, 2.

Sachs and Warner, 63.

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See, e.g., Globalization, Growth, and Poverty, 122-23.

Sachs and Warner, 32.


Sachs and Warner, 54.

Globalization, Growth, and Poverty, ix.

Globalization, Growth, and Poverty, 37.

Quoted in Sachs and Warner, 97.

Globalization, Growth, and Poverty, 85-86. See also pages 95-103.


Globalization, Growth, and Poverty, 86.

Sachs and Warner, 57.

Globalization, Growth, and Poverty, 1.

Sachs and Warner, 36. For developed states, the numbers were 2.29 and 0.74 percent, respectively.

Sachs and Warner, 37.


Globalization, Growth, and Poverty, 86.

Sachs and Warner, 42.

Sachs and Warner, 44.

Lindert and Williamson, 25.

Dollar, 4-5

Sachs and Warner, 3.


Dollar and Kraay, “Spreading the Wealth,” 120.

Matt. 25:40.


Dollar, 2.

Globalization, Growth, and Poverty, 49.

Dollar, 17.


Globalization, Growth, and Poverty, 112.


Globalization, Growth, and Poverty, 89-93.

Globalization, Growth, and Poverty, 94.

Globalization, Growth, and Poverty, 89.

Globalization, Growth, and Poverty, 110.

Globalization, Growth, and Poverty, 111.

Globalization, Growth, and Poverty, 3.

Dollar, 18.
See, e.g., Globalization, Growth, and Poverty, 104.
94 Globalization, Growth, and Poverty, 110.
95 Globalization, Growth, and Poverty, 7.
96 Globalization, Growth, and Poverty, 5.
97 Globalization, Growth, and Poverty, 108.
98 Dollar, p. 20.
99 Lindert and Williamson, 2.
100 Globalization, Growth, and Poverty, 7.
103 Dollar and Kraay, “Growth is Good for the Poor,” 27.
104 Lindert and Williamson, 1.
105 Lindert and Williamson, 1.
106 Lindert and Williamson, 3.
107 Dollar, 3.
108 Globalization, Growth, and Poverty, x.
111 Sachs and Warner, 4.
112 Dollar, 5.
113 Sachs and Warner, 36.
114 Sachs and Warner, 4
115 Sachs and Warner, 4.
116 Sachs and Warner, 41.
117 Sachs and Warner, 2.
118 Lindert and Williamson, 19.
119 Lindert and Williamson, 19.
120 Sachs and Warner, 3.
121 Globalization, Growth, and Poverty, 50.
122 Dollar, 2-3.
125 Dollar and Kraay, “Growth is Good for the Poor,” 3.
129 For a discussion of India, Vietnam, and Uganda, see Dollar, pp. 8-11; Globalization, Growth, and Poverty, 6.
130 Dollar and Kraay, 38.
131 Dollar, 5.
132 Dollar, 20.
133 Lindert and Williamson, 39.
136 Dollar and Kraay, “Growth is Good for the Poor,” 2-3.
137 Dollar and Kraay, “Growth is Good for the Poor,” 8.
138 Dollar and Kraay, “Growth is Good for the Poor,” 2.
139 Dollar and Kraay, “Growth is Good for the Poor,” 9.
140 Globalization, Growth, and Poverty, 71.
141 Globalization, Growth, and Poverty, 83.
142 Globalization, Growth, and Poverty, 7.
143 Globalization, Growth, and Poverty, 7.
144 Dollar and Kraay, “Spreading the Wealth,” 120.
145 Globalization, Growth, and Poverty, 128.
146 Globalization, Growth, and Poverty, 16.
147 Globalization, Growth, and Poverty, 132.

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See, e.g., *Globalization, Growth, and Poverty*, 118.

150 *Globalization, Growth, and Poverty*, 18.

151 *Globalization, Growth, and Poverty*, 156.

152 *Globalization, Growth, and Poverty*, ix-x.

153 Dollar, p. 23.


159 Dollar and Kraay, “Spreading the Wealth,” 121.

160 *Globalization, Growth, and Poverty*, 46.

161 See, e.g., *Globalization, Growth, and Poverty*, 76-82.


165 *Globalization, Growth, and Poverty*, 159.

166 *Globalization, Growth, and Poverty*, 152.