

Chapter 16

The Costs and Benefits of Globalization

Do the benefits of globalization outweigh the costs?

■ 16.1 Introduction

Globalization is a complex process. At its heart, it represents the growing integration of economies and societies around the world. For some of us, the most visible sign of globalization may be the availability of products from many different nations in food stores and shopping malls. For others, it may be shuttered factories, as work once done in the United States moves to other countries. As economist David Hummels observes, our views of globalization are mixed.

The word globalization has been used to mean many different things. It may conjure up visions of fleets of container ships moving goods worth trillions of dollars across all the world's oceans, giant multinational firms with operations in every time zone, brand names and advertisements known by consumers on six continents, and telephone call centers in India providing customer service to American consumers . . . To some, globalization also conveys broader concerns and even fears, such as the erosion of labor and environmental standards or the loss of national sovereignty to international institutions that are not accountable to citizens of any nation.

—David Hummels, *Focus: Globalization*, 2006

Globalization involves the incorporation of many economies and cultures.

Speaking of Economics

foreign debt

The part of a country's total debt that is owed to foreign creditors. Government, businesses, or individuals can owe the debt. Creditors can be foreign banks, governments, or financial institutions.

debt forgiveness

The cancellation of all or part of a debt. Once forgiven, a debt does not have to be repaid.

capital flow

The movement of money into and out of a country through foreign investment and other financial activities.

economic development

The process by which a country makes economic progress and raises its standard of living. Development includes improvements in agriculture and industry, the building of roads and other economic infrastructure, and investments in human capital.

developed country

A wealthy, industrialized country in which the majority of people have more than enough income to meet their basic needs and maintain a high standard of living.

developing country

A low- to medium-income country in which most people have less access to goods and services than the average person in a developed country.

least developed country

A country that suffers from severe poverty and low standards of living.

extreme poverty

A condition in which people are too poor to meet basic survival needs, including food, shelter, and clothing.

Globalization is also controversial. To its supporters, the benefits of globalization far outweigh any costs it might bring with it. They argue that the easy movement of people, goods, ideas, and technology around the world promotes economic growth and reduces poverty. They also believe that globalization encourages global cooperation in efforts to solve broad social and environmental problems.

Critics of globalization, in contrast, charge that its costs exceed its benefits. As evidence they point to a deteriorating global environment and the persistence of poverty in much of the world. Not only has globalization failed to solve these problems, they argue, but may well be making them worse.

The debate over globalization made headlines in November 1999 when protesters gathered in Seattle, Washington, to disrupt a meeting of the World Trade Organization. The antiglobalization demonstrators blamed the WTO for contributing to a host of economic, social, and environmental problems, from job losses in the United States to global climate change. As they marched through the streets, they chanted, “Hey hey, ho ho, the WTO has got to go.”



Antiglobalization protests have occurred in places other than Seattle. This one took place in Hong Kong, when the World Trade Organization met to discuss the removal of trade barriers imposed by developed nations. Many of these protesters were South Korean farmers and workers, who relied on these trade barriers.

To clear the streets, Seattle police used tear gas and rubber bullets in what newspapers called the “Battle of Seattle.”

This chapter examines the debate between supporters and critics of globalization. It also considers some of the costs and benefits of the globalization process for both people and the environment.

■ 16.2 Who Are the Main Players in the Globalization Debate?

At the Seattle protests, concerns about globalization focused on the World Trade Organization. However, the WTO is just one of many players in the globalization debate. These players can be divided into four main groups: international organizations, nongovernmental organizations, multinational corporations, and sovereign nation-states.

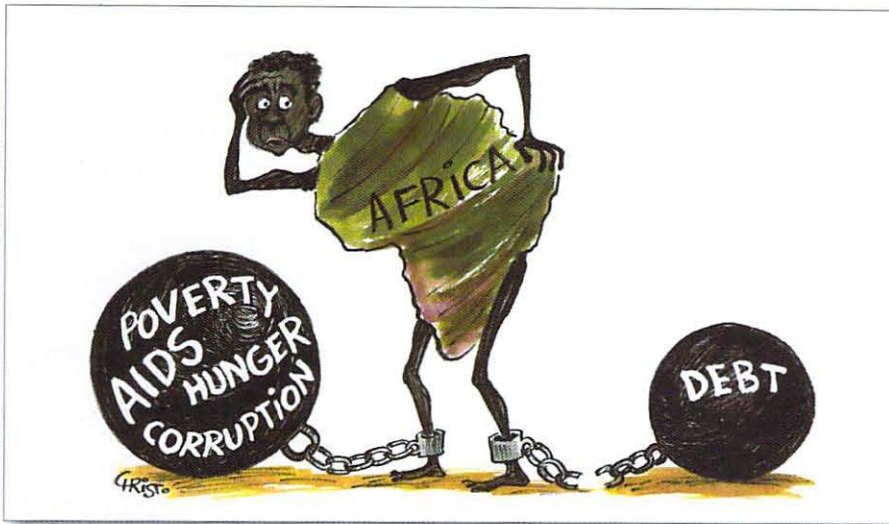
International Organizations

Some of the main targets of globalization critics are international organizations like the WTO. Other key players in this group are the United Nations, the World Bank, and the International Monetary Fund.

World Trade Organization. As the body mainly responsible for drawing up and enforcing international trade agreements, the WTO stands at the center of the globalization debate. Its critics argue that the WTO works to protect the interests of wealthy countries and corporations at the expense of poor countries. They also charge that WTO policies endanger the environment and the rights of workers.

WTO officials see these charges as misguided. “Trade is the ally of working people, not their enemy,” declared WTO director-general Mike Moore at the Seattle gathering in 1999. “As living standards improve, so too does education, health, the environment and labor standards.”

United Nations. Founded at the end of World War II as a peacekeeping organization, the United Nations has become a key player in the globalization process. As part of its mission, the UN analyzes economic issues and provides aid to poor countries. It also brokers international agreements designed to protect the environment, defend human rights, and preserve cultural



Despite global efforts to relieve poverty in Africa, Africa remains the world's poorest continent. A large foreign debt is part of the problem. Yet, as this cartoon implies, even if Africa were to break free of its debt, it would still be shackled with severe problems.

traditions. These activities put the United Nations squarely in the middle of the globalization debate.

World Bank. Also founded as World War II drew to a close, the World Bank has seen its mission change over time. Its initial goal was to help Europe recover from the war. Later, its focus shifted to helping poor countries develop their economies.

As part of this second effort, the World Bank has funded large projects aimed at improving the economic infrastructure of poor countries. Examples include hydroelectric dams and highways. Critics charge that many of these projects have benefited wealthy business interests and corrupt governments far more than the poor.

Critics also point out that some projects, such as a program to help settlers move into the Amazon rainforest, have led to widespread environmental destruction. Others, such as dam projects in Asia, have hurt poor people by forcing them to relocate out of areas to be flooded. In response to such criticism, the World Bank has shifted its focus to projects more directly aimed at eliminating poverty.

International Monetary Fund. Founded at the same time as the World Bank, the International Monetary Fund has seen its mission evolve as well. Its first task was to reconstruct the world's battered international banking system after World War II. Today the IMF offers economic advice and assistance to countries with financial problems.

The IMF is often called on to help countries experiencing a financial crisis. Such a crisis typically

arises when a government accumulates too much **foreign debt**. A country's foreign debt is the amount of money it owes to lenders in other countries.

When debt levels rise too high, a poor country may have trouble servicing its debt. **Debt service** is the series of payments of interest and principal a borrower agrees to pay a lender over the life of the loan. To make payments on time, a government may need to borrow still more money. But as soon as signs of trouble appear, lenders may demand higher interest on new loans. Or they may stop loaning money to the government altogether. The result is a debt crisis.

The IMF uses a two-pronged approach to end such a crisis. First, it acts as a kind of lender of last resort. The IMF agrees to loan money to the troubled government at a lower interest rate than other lenders are demanding. This enables the government to continue servicing its debt.

Second, as a condition for such loans, the IMF requires the government to adopt austerity measures. Usually this means reducing the government's budget deficit by cutting spending. Once this is done, the government has less need to keep borrowing more and more money.

Critics charge that such measures harm poor countries. When forced to cut spending, governments often eliminate programs that help the poor, such as food subsidies. As a result, critics say, the costs of IMF policies fall most heavily on those least able to bear them. The benefits, in contrast, flow to banks and other lenders in wealthy countries whose loans are protected.

Critics also charge that IMF policies trap poor countries in a cycle of debt they can never repay. A better approach, they say, would be **debt forgiveness**, or the cancellation of debts owed to foreign lenders. Eliminating foreign debts, they argue, would help poor countries escape the debt cycle.

Defenders of the IMF reply that no country is forced to accept an IMF loan with its austerity measures. Moreover, canceling debts would only reward countries that have failed to control their budgets. It would also eliminate any incentive for poorly managed governments to make needed fiscal policy reforms.

Nongovernmental Organizations

Another set of players in the globalization debate consists of **nongovernmental organizations**. NGOs are nonprofit organizations that operate outside of governments. The term NGO often refers to organizations that focus on helping lift people out of poverty around the world. Funding for NGOs typically comes from member contributions and grants from private foundations.

Many of the NGOs in the globalization debate are concerned about the effects of global trade on the environment. Among these are such groups as the Sierra Club, Greenpeace, and the World Wildlife Fund. Other NGOs speak out on social issues associated with globalization. Examples include Oxfam International, CARE, the Global Fund for Women, and Save the Children.

The Seattle protests brought together representatives from hundreds of NGOs supported by students, farmers, and church groups. Members of labor unions were also there to voice their concerns about losing jobs to global trade. “I never got on with environmentalists,” commented a laid-off steelworker from Michigan, “until I realised we were all fighting for the same thing.”

Multinational Corporations

Multinational corporations are both central players in the globalization process and prime targets of globalization critics. Multinationals are companies that have a home base in one country and operations in other countries. These large companies promote globalization by moving goods, capital, information, and people across borders to do business.

Some multinationals have economic assets that dwarf those of many nations. As of 2011, 43 of the largest economic entities in the world, as measured by GDP and total revenue, were companies, not countries. The economic output of Exxon/Mobil, for example, was slightly larger than that of Argentina. General Electric ranked just above New Zealand and Hungary, and Toyota’s output of goods and services was twice that of Iraq.

The economic power of these giant corporations concerns critics of globalization. Critics fear that multinationals might become a law unto themselves, wielding power with little restraint from national governments. Critics also worry that in their search for profits, multinationals will move their operations to countries that are unable to protect their workers or the environment from abuse. The result, critics fear, will be a “race to the bottom” in terms of wages, working conditions, or pollution.

Supporters of globalization counter that multinational corporations generate trade, investments, jobs, and other economic benefits in countries where those corporations do business. The multinationals also train workers in new technologies and business methods, increasing the host country’s human capital.

In the 1970s, for example, Daewoo, a South Korean multinational, decided to expand its garment-making business to Bangladesh. The company invited 130 Bangladeshi workers to Korea to learn how to make shirts. Over time, 115 of those workers left Daewoo and used what they had learned to set up their own garment companies. Clothing soon became Bangladesh’s leading export. By 2013, its garment industry employed about \$4 million workers who produced \$19 billion worth of clothing for export each year.

Sovereign Nation-States

The last major players in the globalization debate are the world’s sovereign nation-states. A **nation-state** is an independent political body with full authority over its territory and inhabitants. The members of the United Nations are all nation-states.

A nation-state, in theory, has the sovereign power to regulate trade and capital flows across its borders. **Capital flows** are movements of money and investments from one country to another. To secure the

benefits of global trade, however, many nation-states have agreed to limit their use of trade barriers by signing free-trade agreements and joining the WTO.

A frequent complaint about the WTO is that its rulings on trade barriers restrict national sovereignty. As one protester in Seattle put it, “The WTO can rule that a country’s laws and regulations are barriers to free trade, regardless of the fact that those laws were passed by the people or in the public interest.”

This protester might have been referring to a decision made by the WTO a year earlier in a dispute over the use of synthetic hormones to stimulate the growth of cattle. The European Union (EU) had banned imports of meat from hormone-treated cattle as a health risk. The United States appealed the ban to the WTO, saying that it was an unfair restraint on trade. The WTO found no health risk and ruled that the ban was an illegal trade barrier.

Regardless of how you feel about hormone-treated cattle, what is important to note here is that the WTO’s ruling could not and did not force the European Union to change its policy. Members of the WTO retain their full sovereign powers. However, the ruling did give the United States the right to raise tariffs on European imports to make up for the cost of the EU ban to U.S. beef exporters.

The Globalization Index

As you would expect, some nation-states are more open to globalization than others. To see how nations rank in this area, KOF Swiss Economic Institute has created a globalization index, which measures a country’s global outlook in economics, society, and politics.

This globalization index ranks 207 countries based on these three dimensions of globalization. A country’s economic globalization score is based on its actual economic flows and economic restrictions. Factors that contribute to a country’s economic flows include trade and foreign investments as a percentage of GDP. Factors that contribute to a country’s economic restrictions include hidden import barriers and the average tariff rate. A country’s social globalization score considers factors such as how many people use the internet and watch television and how many McDonald’s restaurants and Ikea stores the country has per capita. To measure a country’s political globalization score, the index considers the number of embassies in a country and a country’s participation in international organizations.

A country’s ranking in this globalization index indicates how much or how little it has opened itself up to trade and contact with other countries. Perhaps not surprisingly, the highest-ranked countries, such as the United States, Australia, and the nations of

Figure 16.2

Graphing Globalization

According to the globalization index, some countries are more global than others. The index ranks countries mostly based on how well each country interacts with the rest of the world economically, socially, and politically.



Source: KOF Index of Globalization.

Europe, are among the world's wealthiest. Lower-ranked countries, such as India, Iran, and Kenya, are marked by widespread poverty.

This contrast raises the question of cause and effect. Are the top-rated countries wealthy because they have embraced globalization? Or have they embraced globalization as a means to grow wealthier?

■ 16.3 Has Globalization Helped or Hindered Economic Development?

Most economists believe that globalization contributes to economic development by increasing trade and investment across borders. **Economic development** is the process by which countries increase their economic output and improve the lives of their people. Economic development brings with it improvements in social welfare, including better nutrition, health care, and education. However, these benefits have not been spread uniformly among the world's more than 6 billion people.

Measuring Economic Development

The World Bank and the IMF have a number of ways to measure economic development. Most of those methods focus on such economic indicators as per capita GDP. Using these indicators, these

organizations are able to classify countries by level of development. The three general classifications most commonly used are developed, developing, and least developed countries.

Developed countries. The world's wealthiest nations are considered developed countries. A **developed country** has an advanced, industrial economy and a relatively high annual per capita GDP.

Developed countries typically have stable political and legal institutions. Their courts can enforce property laws and contracts. They also have public services that are essential for economic growth. These include power and water services, transportation systems, telecommunication networks, and schools. Although poverty exists in these countries, the gap between rich and poor is not as great as it is in poorer nations.

The United States, Canada, Japan, Australia, New Zealand, Israel, and most of the countries in Western Europe are considered developed countries. Singapore, South Korea, Taiwan, and South Africa are included in this group as well.

Developing countries. The majority of nations in the world are developing countries. A **developing country** is in the process of modernizing its economy. Most people have enough income to meet their basic needs. However, they have less access to goods and services than the average person in a developed country.

Key Concept

Developed, Developing, and Least Developed Countries

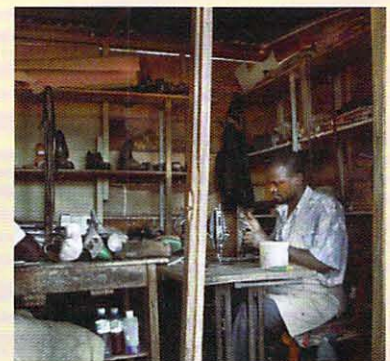
As these photographs illustrate, countries differ in terms of their levels of economic development.



Developed countries are highly industrialized and have an annual per capita GDP of more than \$10,000 (as of 2008).



Developing countries are in the process of industrialization and have an annual per capita GDP of \$1,000 to \$10,000 (as of 2008).



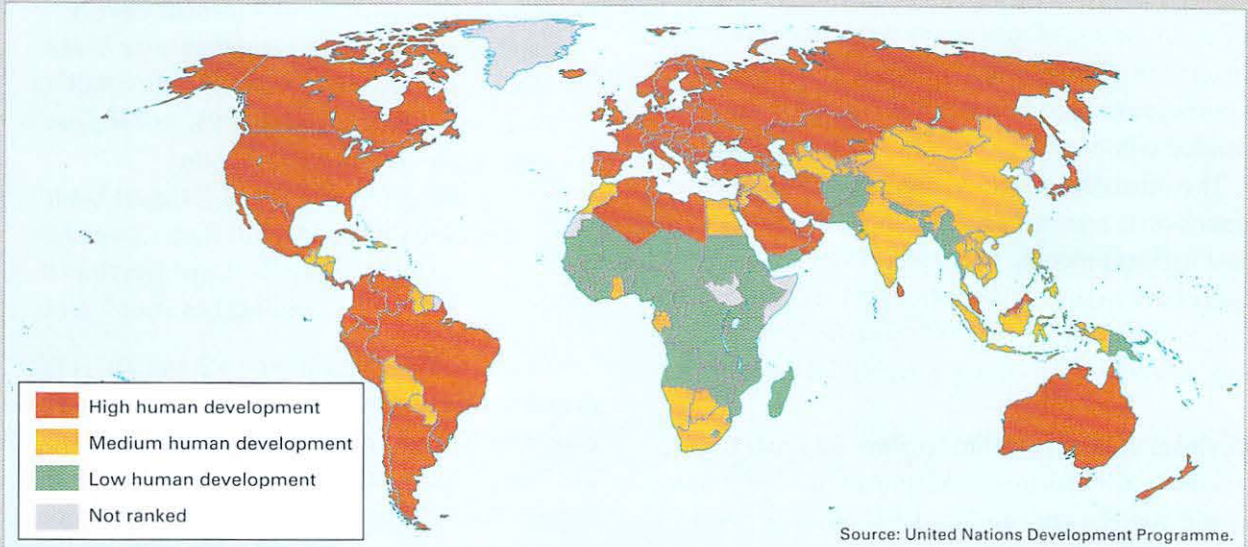
Least developed countries are not yet industrialized and have an annual per capita GDP of less than \$1,000 (as of 2008).

Figure 16.3

Mapping Human Development

The Human Development Index is based on the idea that a country's true wealth is its people. The index rates countries on three dimensions: life expectancy, education, and living standards. This map shows the HDI rankings in 2012.

Human Development Index Rankings, 2012



Levels of development and wealth differ widely among developing nations. A few, sometimes called **newly industrialized countries**, are making a rapid transition from agricultural to industrial economies. China and Brazil are two examples. Others, such as Saudi Arabia and Kuwait, have high per capita GDPs because of their oil wealth, but they lag behind developed countries in other ways.

A common characteristic of developing countries is a wide income gap between rich and poor. In Brazil, for example, a small percentage of wealthy families enjoy a high standard of living. Meanwhile, the majority of Brazilians live in poverty.

Many developing countries are still struggling to develop governments that can ensure the rule of law. Examples include Kenya, Lebanon, and Peru. In addition, their public services may not be well developed. As a result, many of their people may lack access to electricity and clean water.

Least developed countries. A smaller group of the world's poorest nations are classified as least developed countries. A **least developed country**, or LDC, has barely begun to modernize its economy. Poverty is widespread and often severe.

Most of the people in LDCs earn a meager living from **subsistence agriculture**. They raise crops or livestock mainly for personal consumption rather than for sale. The great majority of these countries are in Africa. Liberia, Ethiopia, and Mali are a few of Africa's very poor countries. Most of the remaining LDCs are located in Asia, including Afghanistan, Cambodia, and Nepal.

The Human Development Index

The United Nations has adopted a broader approach to classifying nations. This approach, the Human Development Index, is based on the belief that people are the real wealth of nations. The United Nations sees economic development as a means to help people develop their full potential and lead productive lives—but not as an end in itself.

The map in Figure 16.3A shows how 187 countries scored on the Human Development Index in 2012. The top-ranked country in the “high human development” category was Norway. The United States ranked third. The “medium human development” category included China and India. These two countries are home to more than one-third of the world's

people. Most of the countries in the “low human development” category were all located in Africa.

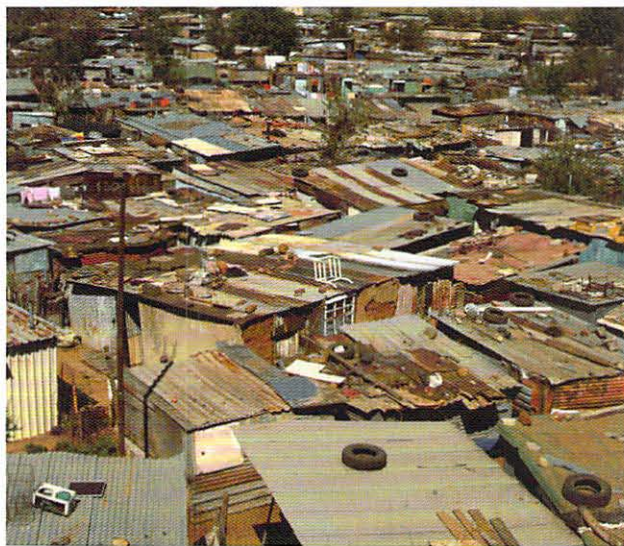
The HDI measures a country’s level of human development along three dimensions. The first is life expectancy at birth, an indicator that reflects the general health of a population. The second dimension is education. The level of education is measured by a combination of how many years students are expected to attend school and the average number of years adults aged 25 years and older actually attended school.

The third dimension is standard of living. This dimension is measured by looking at a country’s gross national income per capita. The more money people have to spend, the better off they are in terms of material goods. These three measures are combined to arrive at a country’s overall HDI ranking.

The Costs of Globalization for Poor Countries

However one measures development, it is clear that globalization has not ended global poverty. Between 1990 and 2005, a period of rapid globalization, many developing countries experienced healthy GDP growth. But not all of them did.

During this same period, per capita income in some LDCs remained stagnant or fell. In Haiti, for example, per capita GDP declined by 2 percent. In



While globalization has benefited many wealthy nations, many places remain in poverty. One-fifth of the world’s population lives in extreme poverty. Many live in shacks like these in South Africa.

Guinea-Bissau, it fell by nearly 3 percent. In a report released not long after the Seattle protests, Oxfam International, an NGO working to help the world’s poorest countries, observed,

Over the past twenty years the income gap between people living in the LDCs and in the industrialised world has widened. Twenty years ago, the ratio of average income in the LDCs to average income in the industrialised world was 1:87. Today it is 1:98, and the gap is widening at an accelerating rate.

—Oxfam International, “Rigged Trade and Not Much Aid: How Rich Countries Help to Keep the Least Developed Countries Poor,” 2001

To critics of globalization, such statistics are evidence that free trade is hurting, not helping, poor countries. These critics point out that as of 2010, over a billion people—around one-fifth of the world’s population—live in extreme poverty. That same year, the World Bank defined **extreme poverty** as a state of severe economic hardship in which people live on less than \$1.25 per day.

Globalization hurts poor countries, critics say, because most trade agreements have been written to serve the interests of wealthy countries, not LDCs. As Oxfam pointed out in its 2001 report,

Average tariffs in the EU, the United States, Canada, and Japan . . . are relatively low, at approximately five per cent. However, the average obscures very high tariffs in sectors of most relevance to poor countries. Tariffs on some agricultural commodities are more than 300 per cent in the EU and, as in the case of groundnuts [peanuts], over 100 per cent in the USA.

The products that LDCs are best able to export tend to be farm products and goods that are easy to manufacture, such as clothing. As long as wealthy countries block imports of these products with high tariffs and import quotas, globalization will remain, as its critics maintain, a game with “rigged rules.”

The Benefits of Globalization for Poor Countries

Supporters believe that globalization holds out the best hope for relieving poverty around the world.

Economics writer Charles Wheelan summed up the benefits of trade for poor countries as follows:

Trade paves the way for poor countries to get richer. Export industries often pay higher wages than jobs elsewhere in the economy. But that is only the beginning. New export jobs create more competition for workers, which raises wages everywhere else. Even rural incomes can go up; as workers leave rural areas for better opportunities, there are fewer mouths to be fed from what can be grown on the land they leave behind. Other important things are going on, too. Foreign companies introduce capital, technology, and new skills. Not only does that make export workers more productive; it spills over into other areas of the economy. Workers “learn by doing” and then take their knowledge with them.

—Charles Wheelan, *Naked Economics*, 2002

As the pace of globalization has picked up, GDP growth in poor countries has often exceeded that of wealthy countries. In 2013, for example, the World Bank projected a growth rate for developing countries of about 5.1 percent, compared to only 1.2 percent in high-income countries. Growth in many LDCs was even higher. However, some poor countries, like Malawi, saw their per capita GDP drop in 2012 because their populations grew faster than their economic output.

The benefits of globalization are also reflected in the Human Development Index. A number of countries with low HDI scores in 1985 have improved significantly since then. Examples include China, India, and Indonesia. Many economists attribute this improvement to the fact that these countries opened themselves up to global trade.

Globalization has also helped lift millions of people out of poverty. The number of people living in extreme poverty has declined since 1981. This is true despite the addition of more than a billion people to the world’s population in the same time period.

Supporters of globalization recognize that the benefits of opening up poor countries to trade come with costs. Small businesses may fail when faced with competition from giant multinationals. Poor farmers may not be able to compete with factory farms in rich countries. People who move from farms to cities in search of work may find life there

harsher than it was in their rural villages.

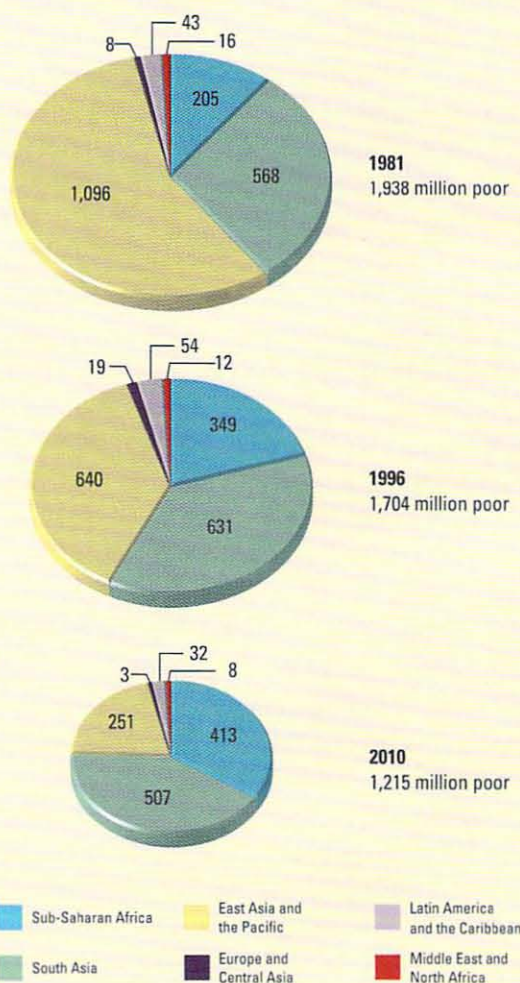
“It is necessary to acknowledge that globalization benefits people unevenly,” wrote IMF official Flemming Larsen, “and that it *can and does* produce losers as well as gainers.” On the whole, however, supporters argue that globalization has produced—and will continue to produce—far more gainers than losers.

Key Concept

Extreme Poverty

In 2010, the World Bank defined extreme poverty as living on less than \$1.25 a day. Since the 1980s, the number of people living in extreme poverty has declined, despite global population growth. By 2010, the world’s poorest people were concentrated in South and Central Asia, sub-Saharan Africa, and the mountains of Central and South America.

Extreme Poverty Around the World



Source: World Bank.

Note: Due to rounding, figures do not all add to the totals shown.

Singapore is one of the Four Asian Tigers—along with South Korea, Taiwan, and Hong Kong—that benefited from export-led development. As Singapore’s economy grew, gleaming skyscrapers replaced older slums. In 2012, Singapore was among the world’s ten wealthiest countries, as measured by per capita GDP. It was even ranked ahead of the United States.



The Four Asian Tigers: A Case Study of Export-Led Development

Among the greatest gainers benefiting from globalization are the four economies nicknamed the Four Asian Tigers. The name refers to the countries of South Korea, Singapore, and Taiwan, along with the former British colony of Hong Kong. In the 1960s, all four were relatively poor. Today they rank among the world’s developed economies.

Beginning in the 1970s, the Tigers adopted an economic model known as **export-led development**. This model emphasizes the production of goods for export as a way of expanding an economy. The sale of exports brings in money to buy machinery for factories. With the new machines, more goods are produced, which adds to economic growth.

Following a pattern established by Japan after World War II, the Tigers developed export industries that took advantage of their low labor costs. South Korea, for example, became a major producer of clothing and sneakers. Taiwan built factories that assembled electronic goods. At the same time, their governments kept tariffs high to protect their new industries from foreign competition.

The result was two decades of spectacular economic growth. Between 1970 and 1989, the average annual GDP growth in the Tigers ranged from 7 to 10 percent. In contrast, the world average growth rate hovered between 3 and 4 percent.

As their economies grew, the Tigers invested heavily in education and other services to improve

the lives of their citizens. As a result, their levels of human development rose rapidly.

The success of the Four Asian Tigers was so impressive that the IMF and World Bank began recommending the export-led development model to their clients. From China to Chile, developing countries embraced the new model. By the 1990s, the Tigers faced fierce competition from countries like Vietnam and Bangladesh, which had even lower wage rates. As a result, the Tigers’ GDP growth began to slow. During the 2008 recession, the four Asian tigers were hit hard as exports and GDP both dropped significantly.

Critics of export-led development point to a number of problems with this model. The most obvious is that it depends on a high level of demand for exports in wealthy countries, especially the United States. If that demand drops because of an economic downturn, countries that rely on U.S. consumers to buy their exports will also suffer. As has often been observed, “When America sneezes, the world catches a cold.” During the 2008 recession, the four Asian tigers were hit hard as exports and GDP both dropped significantly.

■ 16.4 Has Globalization Helped or Hurt the Environment?

Many of the protesters at the 1999 WTO meeting in Seattle were concerned about globalization’s effects on the environment. To show their concern, some

came dressed as sea turtles, a reference to a WTO decision made the previous year.

The WTO ruling involved a U.S. law designed to protect sea turtles. The law banned imports of shrimp caught in nets that also trap and kill sea turtles. Asian countries that depend on shrimp fishing charged that the U.S. law violated WTO trade agreements. The WTO ruled that the shrimp ban, like the EU's ban on hormone-raised beef, was an illegal trade barrier.

Unlike the European Union, however, Congress chose to revise U.S. law to comply with the WTO ruling. Its decision to do so upset environmentalists seeking to protect an endangered species. It also underscored what critics saw as the WTO's indifference to environmental issues.

Economic Development Creates Environmental Problems

The plight of sea turtles caught in shrimp nets is a reminder that economic development is hard on the environment. Countries exploit natural resources

and develop industries to promote economic growth. But such development may also cause pollution, destroy landscapes, and endanger wild species.

Almost all human activity has some impact on the environment. When farmers clear forests and grasslands to plant crops, they are also destroying the habitats of plants and animals. As developing countries shift from agriculture to industry, their environmental problems multiply. If left unregulated, factories spew smoke into the air and pour toxic waste into waterways.

The latest environmental challenge confronting the world is climate change. This term refers to variations in Earth's overall climate over time, ranging from decades to millions of years. Historically, climate change was caused by natural processes. Such processes include volcanic eruptions and variations in the intensity of sunlight reaching the planet's surface.

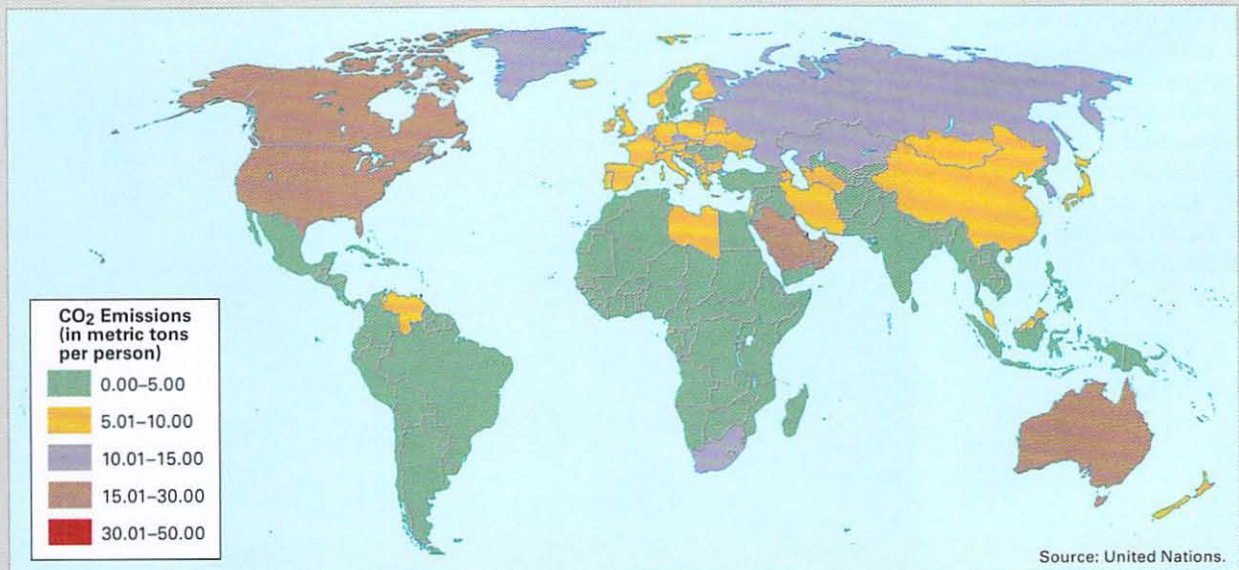
Many scientists now believe that human activity is causing the global climate to become warmer. The main culprit is the burning of fossil fuels in power

Figure 16.4A

Mapping Carbon Dioxide Emissions Around the World

Between 1950 and 2006, world carbon emissions from burning fossil fuel rose from 1.6 billion tons to 8.3 billion tons a year. For most of that period, the United States was the world's top emitter. By 2006, China had moved into the top spot. However, on a per capita basis, the average American emitted five times as much carbon dioxide as did the average Chinese person.

Global per Capita Carbon Dioxide Emissions, 2009



plants, factories, and vehicles. When coal, oil, and natural gas are burned, they release carbon dioxide and other gases. These gases act like a greenhouse in the atmosphere, trapping energy from the sun near Earth's surface.

A 2013 report by the International Energy Agency (IEA) warned that the goal to limit climate change to less than 2 degrees Celsius will likely fail. Unless more action is taken, the IEA instead predicts changes of between 3.6 and 5.3 degrees Celsius. Environmental writer Fred Pearce detailed the effects of this global climate change:

Melting glaciers and precipitation are causing some rivers to overflow, while evaporation is emptying others. Diseases are spreading. Some crops grow faster while others see yields slashed by disease and drought. Strong hurricanes are becoming more frequent and destructive . . . Clashes over dwindling water resources may cause conflicts in many regions.

As natural ecosystems—such as coral reefs—are disrupted, biodiversity is reduced. Most species cannot migrate fast enough to keep up, though others are already evolving in response to warming.

—Fred Pearce, “Instant Expert: Climate Change,” NewScientist.com, 2006

The Costs of Globalization for the Environment

Environmentalists do not blame all of these problems on global trade. But they worry about the impact that rapid economic growth has on the environment. Markets may do well at coordinating trade, environmentalists concede. But by putting profits first, markets often overlook the environmental costs of economic activity. As one environmental economist wrote,

Though the market is a powerful tool for economic progress, where its edges meet the planet it is mainly [used] as a saw, shovel, or smoke-stack—as an instrument of destruction rather than protection.

—David Malin Roodman, *The Natural Wealth of Nations: Harnessing the Market for the Environment*, 1998

Environmentalists are not opposed to economic development. But they believe development should be sustainable over time. **Sustainable development** is designed to meet people's present needs without having a negative impact on future generations' ability to meet their needs. For example, a lumber company that plants as many trees as it cuts down each year is practicing sustainable development.

Unfortunately, say environmentalists, most current development is not sustainable. Globalization is making millions of people in the developing world

Before China globalized its economy in the 1990s, few of its citizens could afford their own cars. But by 2013, the number of privately owned cars registered in China topped 50 million. One result has been a rapid rise in pollution. According to the World Bank, China is home to 16 of the 20 most air-polluted cities on Earth.

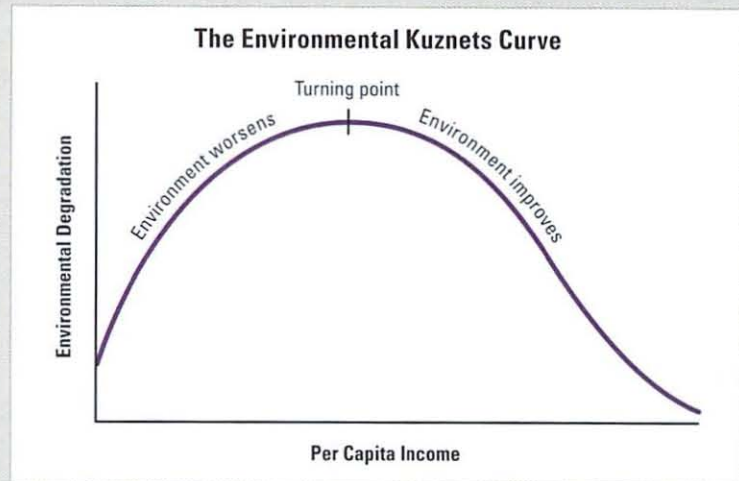


Figure 16.4B

Analyzing the Relationship Between Income and Environmental Quality

The environmental Kuznets curve illustrates a theoretical relationship between per capita income and the quality of a country's environment.

- As incomes begin to rise, environmental quality declines. This may be due to industrialization or lifestyle changes as people begin to consume more.
- At some income level, people begin to demand a cleaner environment. From that point on, increased per capita income leads to improved environmental quality.



rich enough to live like Americans. As a result, global demand for luxury goods, such as computers and cars, is rising. The same is true for the fossil fuels needed to power them. "Trying to meet that kind of demand," cautioned environmentalist Bill McKibben, "would stress the earth past its breaking point."

Environmentalists also worry that globalization may encourage multinational corporations to move their operations to "pollution havens." A **pollution haven** is a country that attracts polluting industries because of its weak or poorly enforced environmental laws. "Pollution havens' . . . have failed to materialize," reported the World Bank in 2000. "Instead, poorer nations and communities are acting to reduce pollution because they have decided that the benefits . . . outweigh the costs." But the possibility that such havens might emerge remains a concern.

More worrisome yet is the link between globalization and climate change. Moving people and goods around the globe by air and sea produces more than 6 percent of the world's carbon emissions. And as the economies of developing countries grow, their consumption of fossil fuels increases as well. This adds still more greenhouse gases to the atmosphere.

If nothing is done to reduce these emissions, environmentalists warn, the effect on the environment could be devastating. "In this century, human activity could trigger an irreversible melting of the Greenland ice sheet and Antarctic glaciers," wrote Fred Pearce. "This would condemn the world to a

rise in sea level of six metres—enough to flood land occupied by billions of people."

The Benefits of Globalization for the Environment

Supporters of globalization recognize that development has environmental costs. They argue, however, that the best way to address those costs is not by slowing economic growth. The answer, they say, is to speed it up.

To explain why, economists point to the **environmental Kuznets curve**. This theoretical curve shows pollution increasing as a country begins to industrialize. When incomes start to increase, people are more interested in raising their living standards than in controlling pollution. As they grow wealthier, however, this attitude begins to change. People become concerned about dirty air and waterways and demand that their governments do something about it. The wealthier that people become, the more resources they seem willing to devote to improving the environment.

There is historical evidence suggesting that people will do more to protect their environment as they grow richer. The city of London, for example, had far worse air pollution a century ago than it does today. Lake Erie was pronounced "dead" in the 1960s. Today, the lake has one of the world's largest freshwater fisheries, and in 2008, China's government announced that it was shifting from growth at the expense of the environment to "putting equal emphasis on both."

Given this history, some economists describe a clean environment as a luxury good. However, they

also note that the relationship between income and environmental protection is strongest for visible pollution. Examples include smoggy skies and sewage-choked rivers. It is weaker for problems that people do not see every day, such as carbon emissions and loss of forests. “The quick and dirty rule seems to be that if you can’t see it or smell it in your local urban neighborhood,” noted economics writer Andrew Leonard, “then, no matter how rich you are, you aren’t going to do much about it.”

Globalization may also benefit the environment by fostering international cooperation to solve problems. For example, in 1985, British scientists discovered that synthetic chemicals were thinning the ozone layer in Earth’s atmosphere. The ozone layer protects the planet from harmful ultraviolet rays given off by the sun. Overexposure to these rays can cause skin cancer and damage eyes.

Recognizing the danger, world leaders met in 1987 to sign the Montreal Protocol on Substances that Deplete the Ozone Layer. Hailed by the U.S. Environmental Protection Agency as “the world’s most successful international environmental treaty,” the protocol ended production of the most harmful chemicals. Since the treaty went into effect, the thinning of the ozone layer has stopped. Full recovery, however, may take many lifetimes.

Whaling: A Case Study of Global Environmental Cooperation

Another example of global cooperation to protect the environment is the Save the Whales campaign.

As part of its effort to protect whales, the International Whaling Commission promotes whale watching as “a sustainable use of cetacean [sea mammal] resources.” Whale-watching tours earn welcome tourist dollars for former whaling communities. At the same time, these tours allow the public to see whales in their natural environment.

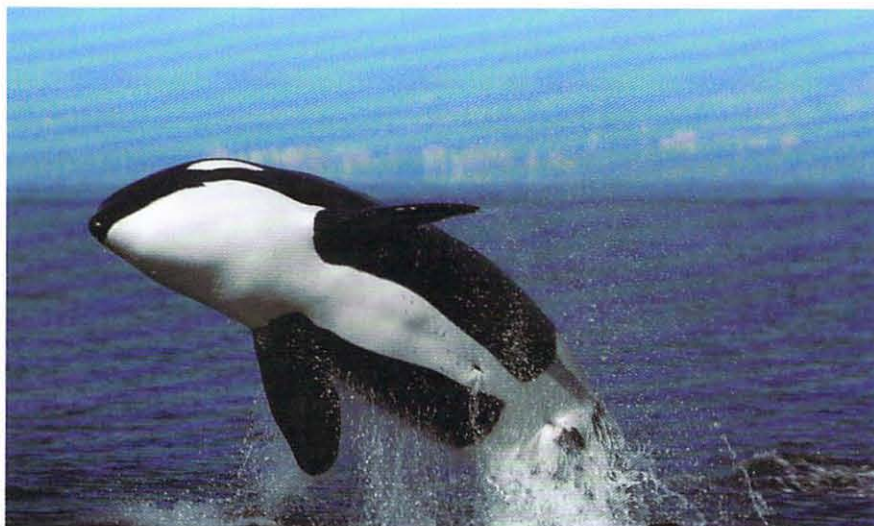
Begun in the 1970s, this campaign brought together the International Whaling Commission, sovereign nation-states, and NGOs in an effort to protect endangered whale species.

For centuries, whales had been hunted for their meat and oil. By the 1950s, however, modern whaling methods had brought many whale species to the brink of extinction. The number of blue whales, for example, had dropped from between 30,000 and 40,000 in the 1930s to 2,000 or fewer in the 1960s.

The International Whaling Commission was established in 1946 to manage whale harvests. In 1982, under immense pressure from NGOs, the commission imposed a moratorium, or ban, on whaling. The moratorium applies only to commercial whaling. Whales may still be caught for scientific purposes or by native peoples who depend on whales for food.

The Save the Whales campaign was evidence of the growing power of NGOs. Working together, anti-whaling groups persuaded people around the world that protecting whales was important. As a result of the hunting ban, the stocks of many whale species are no longer in decline. Some are even on the rebound.

The world has done less well in protecting other forms of marine life. Because of overfishing by commercial fishing fleets, around 75 percent of fish stocks are being harvested at unsustainable levels. As a result, many fish species are in danger of extinction. Making matters worse, the oceans are being polluted at an alarming rate. Whether the world can come together to save the oceans and marine life, as it did whales, remains an open question.



■ 16.5 Does Globalization Enrich or Threaten Local Cultures?

On August 12, 1999, a group of farmers and anti-globalization activists drove their tractors into a town in southwestern France. There they destroyed a McDonald's restaurant that was under construction, dumping the rubble on the outskirts of town. "I believe that the French people," declared José Bové, the group's leader, "are with us in this fight against junk food and against globalisation."

For Bové and his supporters, globalization—as symbolized by McDonald's—was a threat to French culture. In their eyes, it undermined local traditions of fresh food and small-scale agriculture. For many other people, however, globalization is a positive force that enriches local cultures.

The Global Reach of American Culture

Bové's attack was not only directed at globalization. It was also an assault on Americanization—the spread of American customs and culture to other countries. For many of its critics, globalization and Americanization are one and the same.

Over the past several decades, American fads, foods, and fashions have spread rapidly around the world. Much of this Americanization has been carried out by multinational corporations. American-based companies can be found in almost every corner of the globe. On a visit to Beijing, China, anthropologist James L. Watson noted,

Looming over Beijing's choking, bumper-to-bumper traffic, every tenth building seems to sport a giant neon sign advertising American wares: Xerox, Mobil, Kinko's, Northwest Airlines, IBM, Jeep, Gerber, even the Jolly Green Giant. American food chains and beverages are everywhere in central Beijing: Coca-Cola, Starbucks, . . . Baskin-Robbins, Pepsi, TCBY, Pizza Hut, and of course McDonald's.

—James L. Watson, "China's Big Mac Attack,"
Foreign Affairs, 2000

Americanization is also evident in popular culture. American music, movies, and television shows are popular throughout the world. Some of these cultural products have been created with the global market in mind. Such globalized films may deal with



American business interests, including the entertainment industry, have carried U.S. culture to the far reaches of the globe. Disneyland is one example. The first overseas Disneyland opened in Tokyo, Japan, in 1983. Soon, other parks were developed: Disneyland Paris, Disneyland Hong Kong, and Disneyland Shanghai.

international issues or feature non-American actors in starring roles.

Commercial interests are not the only force driving the spread of American culture. Language also plays a part. English is one of the most widely spoken languages in the world, used by as much as one-fifth of the world's population. Many people around the world also respect the American traditions of freedom and democracy. They admire the spirit of openness and innovation in American life.

Nevertheless, the spread of American culture concerns many critics of globalization. Some see it as **cultural imperialism**, the imposing of one country's culture or language on another country. Usually, the charge of cultural imperialism is made by people in a small or weak country who fear domination by a larger, more powerful country.

The Costs of Globalization for Local Cultures

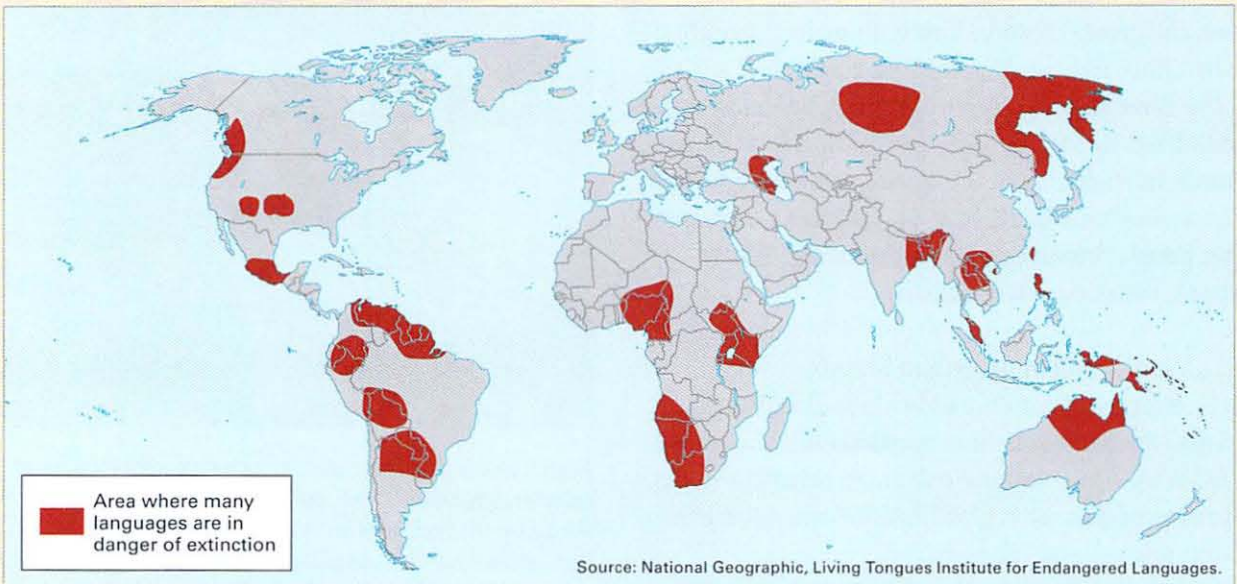
The main criticism of globalization from a cultural perspective is that it weakens local traditions. Like

Key Concept

Language Extinction

More than half the world's 7,000 languages are expected to go extinct by 2100. Languages die when their community of speakers chooses to speak the tongue of the dominant culture for economic or social reasons. This map shows several key areas of language extinction. Some of these areas include many small language communities, each with its own native tongue.

Language Extinction Around the World, 2013



José Bové, many people worry that their own way of life will be lost amid a flood of imported culture.

Critics point to the rapid extinction of languages as one cost of globalization. As the English language and Western cultural influences spread across the world, many smaller, local languages are dying out. Language experts predict that more than half of the world's 7,000 languages will disappear by the end of the century. The map above shows areas of language extinction around the world.

Language is an important vehicle for the preservation of culture. This is especially true for native peoples in the developing world, who may not have a written language. When a language dies, it takes with it a wealth of human knowledge, especially about the natural world. "Most of what we know about species and ecosystems is not written down anywhere," observed linguistics professor David Harrison. "It's only in people's heads. We are seeing in front of our eyes the erosion of the human knowledge base."

Along with the loss of language, many peoples are seeing their own traditions crowded out by cultural imports. In many villages, for example, people have swapped their traditional clothing for jeans and T-shirts. Teenagers are more interested in television shows and popular music from abroad than traditional folklore and music. They choose hamburgers and pizza over traditional foods.

This problem is not limited to developing nations. In the 1960s, U.S. movies earned only about 35 percent of European box office revenues. By 2012, American films produced 62.8 percent of the ticket sales in the EU. In response, some countries have enacted laws to preserve local cultural products. France and Canada, for example, have imposed limits on cultural imports, such as American magazines, movies, and television programs.

Cultural evolution is nothing new, of course. It is a natural process that has been taking place for thousands of years. But critics warn that globalization is speeding up the process of cultural change,

often with commercial interests in mind. They fear that the rich, vibrant mosaic of world culture will be replaced by a bland “McWorld,” where all cultures resemble that of the United States. As Julia Galeota, who at the age of 17 wrote a prize-winning essay on cultural imperialism, observed,

Throughout the course of human existence, millions have died to preserve their indigenous culture. It is a fundamental right of humanity to be allowed to preserve the mental, physical, intellectual, and creative aspects of one’s society. A single “global culture” would be nothing more than a shallow, artificial “culture” of materialism.

—Julia Galeota, “Cultural Imperialism: An American Tradition,” 2004

The Benefits of Globalization for Local Cultures

Supporters of globalization see a different result from the interaction of world cultures. They contend that globalization enriches local cultures by exposing people to new ways of doing things. Rather than a bland “McWorld,” they say, the result is a “global village,” where cultures share ideas and customs but retain their distinct identities.

“Critics of cultural imperialism charge that rich cultures dominate poor ones,” wrote economist Tyler Cowen. What they fail to see is the degree to which “local culture commands loyalty.” In India, for example, domestic recordings dominate over

90 percent of the music market. “Western culture often creates its own rivals,” Cowen observed, “by bringing creative technologies like the recording studio or the printing press to foreign lands.”

Although globalization is often seen as a one-way flow—from rich to poor nations—it goes the other way, too. Customs and traditions from developing nations also influence the developed world. The fact that restaurants in the United States serve food from Thailand or Ethiopia is a sign of globalization. So is the fact that Americans watch Bollywood movies from India, listen to Afro-pop music from Nigeria, and furnish their homes with crafts from Indonesia.

Artists and artisans in developing countries benefit from the chance to sell their products in the developed world. By gaining a larger market for their work, many are able to preserve their art, music, and traditional crafts.

The idea that cultures should be protected from change is wrongheaded, say supporters of globalization. No one is forced to speak English or eat at McDonald’s. People make such choices voluntarily. “China has become more open partly because of the demands of ordinary people,” observed Watson. “They want to become part of the world.”

In Nepal, the people who live near Mount Everest have adopted new customs through contact with foreign tourists. Mountain climber Jon Krakauer sees some of these changes as negative. But he also says that local people have benefited from global



Due to globalization, many different types of cuisines can be found in the United States. For example, some restaurants in the United States serve Ethiopian food.

This McDonald's advertisement in India is much like an advertisement for McDonald's in the United States. But, the burger in the advertisement here reflects the fast food chain's adaptation to the local culture. The McAlloo Tikki—a vegetable burger inspired by an Indian snack called aloo tikki—is designed to appeal to Indian tastes.



contact. Money from tourism and grants from international organizations have funded new schools, medical clinics, and many other improvements. Krakauer wrote,

Most of the people who live in this rugged country seem to have no desire to be severed from the modern world or the untidy flow of human progress. The last thing [they] want is to be preserved as specimens in an anthropological museum.

—Jon Krakauer, *Into Thin Air*, 1997

Cultural diffusion—the process of sharing ideas and knowledge across cultures—is often disruptive. But it is also productive and leads to new ways of life. It can even help spread universal ideals, such as respect for human rights and freedoms. As Cowen observed,

Culture is not a zero-sum game, so the greater reach of one culture does not necessarily mean diminished stature for others. In the broad sweep of history, many different traditions have grown together and flourished. American popular culture will continue to make money, but the 21st century will bring a broad mélange of influences, with no clear world cultural leader.

—Tyler Cowen, “Some Countries Remain Resistant to American Cultural Exports,” *New York Times*, Feb. 22, 2007

McDonald's: A Case Study of Cultural Adaptation

McDonald's is a powerful symbol of globalization for supporters and critics alike. The American fast food chain has more than 34,000 outlets in 118 countries around the world. Many critics claim that McDonald's imposes American cultural values wherever it goes, but the reality is more complex. Although McDonald's has brought changes to other countries, it has also adapted to local cultures.

Everywhere McDonald's sets up a branch, it follows certain standard practices. The menu is the same—burgers, fries, and shakes—and the restaurant is clean and modern. Over time, however, many branches have changed their menus to suit local tastes. In Norway, you can get a salmon sandwich. In India, where many people do not eat beef or pork, you can order a mutton burger, called a Maharaja Mac. Or, if you do not eat meat, you can get a spicy vegetarian patty made of peas and potatoes. French diners can order espresso coffee and brioche along with their burgers and fries.

The style of the restaurants can vary, too. In France, for example, many branches have been remodeled to reflect local architecture. “Far from being cookie-cutter copies,” Shirley Leung reported in *The Wall Street Journal*, “each of the remodeled restaurants features one of at least eight different themes—such as ‘Mountain,’ complete with a wood-beam ceiling reminiscent of a ski chalet. The

company has even begun to replace its traditional red-and-yellow signs with signs in muted tones of maroon and mustard.”

At the same time, McDonald’s has had an impact on local cultures. In China, for example, people do not traditionally celebrate children’s birthdays. After McDonald’s introduced American-style birthday parties, however, many Chinese families adopted the custom. McDonald’s also introduced a higher standard of cleanliness—including clean public bathrooms—than was typical of Chinese restaurants. As a result, many Chinese customers began demanding similar standards of hygiene elsewhere.

One custom the Chinese have not adopted is the “eat and run” style of dining typical of a McDonald’s in the United States. At Chinese branches, customers may linger for hours, socializing, reading the

newspaper, or doing their homework. Such behavior would be unusual, and probably discouraged, at an American fast food restaurant.

All of this suggests that globalization is neither simple nor predictable. It is a complicated process, with many costs and benefits, that is changing the world in unforeseen ways. What does seem clear is that as long as countries continue to trade and interact, globalization in some form will continue. As economist Lester Thurow wrote,

Fifty years from now few of us will be apt to say we work in the U.S. economy or the Japanese economy. We live in the United States or Japan, but we work in the global economy.

—Lester Thurow, *Fortune Favors the Bold: What We Must Do to Build a New and Lasting Global Prosperity*, 2003

Summary

Globalization means many things to many people. In essence, it is the integration of economies and societies around the world. Critics emphasize its costs, however, while supporters point to its benefits.

Who are the main players in the globalization debate? Four main groups play key roles in globalization: (1) international organizations, such as the World Trade Organization; (2) nongovernmental organizations, such as the World Wildlife Fund; (3) multinational corporations, such as McDonald’s; and (4) sovereign nation-states.

Has globalization helped or hindered economic development? For many developing countries, globalization has been the key to growing their economies and raising living standards. However, some of the world’s less-developed countries have failed to experience such economic gains.

Has globalization helped or hurt the environment? Although globalization is not the root cause of most environmental problems, it may contribute to them by encouraging industrialization. However, as countries develop, they also begin to do more to protect the environment. Globalization may help solve problems like climate change by promoting international cooperation.

Does globalization enrich or threaten local cultures? Globalization brings cultures together in ways never experienced before. In some cases, the flood of Western products and ideas may crowd out local traditions and customs. At the same time, globalization enriches cultures by introducing new ideas, technologies, foods, and arts that can be adapted for local use and enjoyment.