

Calling the Bluff: Why the Rich fear Globalization

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The equalizing force of globalization is the best thing that has happened to residents of poor countries.

The “Beyond Logic” series has temporarily, and hopefully permanently, outlived its relevance. It was aimed primarily at decision makers in India, the knowledge-proof babus. Nowadays, this tribe has become less relevant (thank globalization for this happy occurrence) and some of them are even tuned in, and a small minority perhaps even ahead of the curve. This article marks the beginning of a new column entitled “Calling the Bluff”. Derived from poker, the term means the asking of a showdown with the presumed bluffer being asked to display her cards and prove to the world they are as strong as she is claiming them to be. The person calling the bluff typically has a very strong hand and is liable to win the bet by successfully “*calling the bluff*”.

The bluffers today that I hope to confront range from Indian policy makers and politicians and fellow columnists to multinational firms, international bureaucrats and academics.

Obviously, I will only confront when I feel I have a strong hand; and the strong hand will invariably involve hard evidence. You the reader can be the arbiter and judge. Recently, a fellow columnist “accused” me of being the type who only agreed with himself; this becomes inevitable and easy when others argue from emotional instincts rather than from hard facts.

The World Socialist Forum has just ended. For the last five years, the anti-globalization movement has been gathering a frothy steam. Their evidence, in the form of slogans: “Globalization leads to the North getting richer, and the South getting poorer... This is a direct consequence of globalization, and we need to stop this from continuing” (a Green Leader just before the Doha meeting in 2002). Echoed British MP Jeremy Corbyn in Mumbai, 2004: “The new world order of globalism and military power is systematically making the poorest even poorer”.

I have been trying to find “facts” in the articles written by anti-globalists; like the invisible hand, they are nowhere to be seen. But one can *guess* the facts that would make those most concerned about the poor mad. If income growth of poor nations was slower than that of the rich nations, then this would constitute strong evidence about the poor becoming worse off. The first simple factual cut would therefore be to look at the data on per capita growth rates for poor countries versus the growth rates for the rich countries. (Note that the argument cannot be about the levels of income in poor and rich countries—for several decades more, the average levels in the rich countries will be higher).

During the twenty years pre-globalization period (1960-1980), per capita incomes in the poor world grew at 2 percent per annum compared to the rich industrialized world’s growth rate of 3.4 percent i.e. the poor world grew at a considerably slower rate. During these decades, there was no anti-globalization movement, but the hard reality was that the rich were getting relatively richer. The reason there was no white man led antiglobalization movement then was because the rich folks had never had it so good.

During these days, an *average* person in a rich country (let us call her Mary), born in 1960, witnessed her parents income double by the time she was 20 years old and thinking about entering the labor market. In contrast, an average poor person in a poor country (let us call her Sita) saw her parents income increase by only 50 percent, or half the rate of her rich country counterpart.

In the globalization period (post 1980), the poor countries began their long march towards catch-up. In sharp contrast to the previous 20 years, the fortunes were exactly reversed – the poor economies registered a growth rate double that experienced by the rich countries - 3 percent per annum compared to the rich countries considerably slower growth of 1.5 percent per annum. And the poor in the two poorest countries, India and China, saw their incomes increase at an even faster pace – above 5 percent per annum for over 20 years. This miracle has never occurred before i.e. when about a billion people (about 350 million poor in India and 650 million poor in China in 1980) increase their incomes by 175 percent in a short space of 20 years. One can debate how much of this increase in incomes of the poor was caused by globalization. What remains incontrovertible,

however, is the fact that policy makers in both these countries were conscious of opening themselves up to the rest of the world, were conscious of the fact that only by globalizing would they be able to reduce poverty and make their citizens richer.

But now let us go back to the effect of globalization on the (mis)fortunes of Mary. In the pre-globalization years, and especially if she came from an upper middle class family, she saw her family income triple. She not only went to college in 1980, but was able to “easily” enter the best universities. Her own working period, however, has witnessed only a glacial increase in family income. After 20 years of hard work, such income is up only 35 percent, and most of the increase is driven by the fact that she is now working along with her husband. Five years of wage growth in the exploitative pre-globalization days is equal to 20 years of wage growth in the era of globalization. To make matters worse, Mary finds that her children are finding great difficulty in entering the best universities, especially because of the large number of worthy applicants from Asia.

Put yourself in Mary’s position – would you also not rant and rave against globalization? Of course you would; but would you do so if you were Sita? Of course not, because you have never had it so good. At the risk of being politically incorrect, but with the accuracy of being factual, it is the case that one should not witness any brown, or yellow, or black people in the vanguard of the anti-globalization debate. If one does witness non-white intellectuals articulating anti-globalization sentiments, then one needs the explanation of a psychiatrist, not an economist.

Why do some poor country intellectuals support the rich, elitist anti-globalization movement? Perhaps these intellectuals have not really emerged from their feudal cocoon; perhaps they subliminally retain their colonial mentality. The leaders and operators of the anti-globalization movement are the formerly colonizing rich whites, who, as per their heritage, need non-white intellectuals as their disciples and followers. If the intellectuals were to argue for Mary’s relative enrichment, they would be honest and would be constructive towards finding a better future for all, rich and poor. But such sentiments do not befit a “left-intellectual”. Also, it is so much more righteous to fight “in the name of the (nonwhite) poor”. But the price paid for such disingenuousness is that the bluff is easily called, and the intellectual barrenness easily exposed.

Considerably more evidence regarding the above is provided in the author’s book, “Imagine there’s no country: Poverty, Inequality and Growth in the era of Globalization”, published in 2002

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