

Three Cheers for Global Capitalism

BY JOHAN NORBERG

Under what is rather barrenly termed “globalization”—the process by which people, information, trade, investments, democracy, and the market economy tend more and more to cross national borders—our options and opportunities have multiplied. We don’t have to shop at the big local company; we can turn to a foreign competitor. We don’t have to work for the village’s one and only employer; we can seek alternative opportunities. We don’t have to make do with local cultural amenities; the world’s culture is at our disposal. Companies, politicians, and associations have to exert themselves to elicit interest from people who have a whole world of options. Our ability to control our own lives is growing, and prosperity is growing with it.

Free markets and free trade and free choices transfer power to individuals at the expense of political institutions. Because there is no central control booth, it seems unchecked, chaotic. Political theorist Benjamin Barber speaks for many critics when he bemoans the absence of “viable powers of opposing, subduing, and civilizing the anarchic forces of the global economy.” “Globalization” conjures up the image of an anonymous, enigmatic, elusive force, but it is actually just the sum of billions of people in thousands of places making decentralized decisions about their own lives. No one is in the driver’s seat precisely because all of us are steering.

No company would import goods from abroad if we didn’t buy them. If we did not send e-mails, order books, and download music every day, the Internet would wither and die. We eat bananas from Ecuador, order magazines from Britain, work for export companies selling to Germany and Russia, vacation in Thailand, and save money for retirement by investing in South America and Asia. These things are carried out by businesses only because we as individuals want them to. Globalization takes place from the bottom up.

A recent book about the nineteenth-century Swedish historian Erik Geijer notes that he was able to keep himself up to date just by sitting in Uppsala reading the *Edinburgh Review* and the *Quarterly Review*. That is how simple and intelligible the world can be when only a tiny elite in the capitals of Europe makes any difference to the course of world events. How much more complex and confusing everything is now, with ordinary people having a say



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over their own lives. Elites may mourn that they have lost power, but everyday life has vastly improved now that inexpensive goods and outside information and different employment opportunities are no longer blocked by political barriers.

To those of us in rich countries, more economic liberty to pick and choose may sound like a trivial luxury, even an annoyance—but it isn’t. Fresh options are invaluable for all of us. And the existence from which globalization delivers people in the Third World—poverty, filth, ignorance, and powerlessness—really is intolerable. When global capitalism knocks at the door of Bhagant, an elderly agricultural worker and “untouchable” in the Indian village of Saijani, it leads to his house being built of brick instead of mud, to shoes on his feet, and clean clothes—not rags—on his back. Outside Bhagant’s house, the streets now have drains, and the fragrance of tilled earth has replaced the stench of refuse. Thirty years ago Bhagant didn’t know he was living in India. Today he watches world news on television. The stand that we in the privileged world take on the burning issue of globalization can determine whether or not more people will experience the development that has taken place in Bhagant’s village.

Critics of globalization often paint a picture of capitalist marauders secretly plotting for world mastery, but this notion is

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Researcher Johan Norberg’s books include In Defense of Global Capitalism, which was published in English in September 2003.

completely off the mark. It has mostly been pragmatic, previously socialist, politicians who fanned globalization in China, Latin America, and East Asia—after realizing that government control-freakery had ruined their societies. Any allegation of runaway capitalism has to be tempered by the observation that today we have the largest public sectors and highest taxes the world has ever known. The economic liberalization measures of the last quarter century may have abolished some of the recent past's centralist excesses, but they have hardly ushered in a system of *laissez-faire*.

What defenders of global capitalism believe in, first and foremost, is man's capacity for achieving great things by means of the combined force of market exchanges. It is not their intention to put a price tag on everything. The important things—love, family, friendship, one's own way of life—cannot be assigned a monetary value. Principled advocates of global economic liberty plead for a more open world because that setting unleashes individual creativity as none other can. At its core, the belief in capitalist freedom among nations is a belief in mankind.

People have a natural tendency to believe that everything is growing worse, and that things were better in the “old days.” In 1014, Archbishop Wulfstan of York declared, “The world is in a rush and is getting close to its end.”

Today, we hear that life is increasingly unfair amidst the market economy: “The rich are getting richer, and the poor are getting poorer.” But if we look beyond the catchy slogans, we find that while many of the rich have indeed grown richer, so have most of the poor. Absolute poverty has diminished, and where it was greatest 20 years ago—in Asia—hundreds of millions of people have achieved a secure existence, even affluence, previously undreamed of. Global misery has diminished, and great injustices have started to unravel.

One of the most interesting books published in recent years is *On Asian Time: India, China, Japan 1966-1999*, a travelogue in which Swedish author Lasse Berg and photographer Stig Karlsson describe their visits to Asian countries during the 1960s. They saw poverty, abject misery, and imminent disaster. Like many, they could not bring themselves to hold out much hope for the future, and they thought that socialist revolution might be the only way out. Returning to India and China in the 1990s, they could not help seeing how wrong they were. More and more people have extricated themselves from poverty; the problem of hunger is steadily diminishing; the streets are cleaner. Squalid huts have given way to buildings wired for electricity with TV antennas on their roofs.

When Berg and Karlsson first visited Calcutta, fully one tenth of its inhabitants were homeless, and every morning trucks were sent by the public authorities or missionary societies to collect the bodies of those who had died in the night. Thirty years later, setting out to photograph people living on the streets, they had diffi-

**Globalization makes
an excellent scapegoat
for politicians.**

culty in *finding* such people. The rickshaw was disappearing from the urban scene, with people traveling by car, motorcycle, and subway instead.

When Berg and Karlsson showed young Indians photographs from the 1960s, they refused to believe it was even the same place. Could things really have been so dreadful? A striking illustration of the change is provided by a pair of photographs in their book. In the old picture, taken in 1976, a 12-year-old Indian girl named Satto holds up her hands. They are already furrowed and worn, prematurely aged by many years' hard work. The new picture shows Satto's 13-year-old daughter Seema, also holding up her hands. They are smooth and soft, the hands of a girl whose childhood has not been taken away from her.

The biggest change of all is in people's thoughts and dreams. Television and newspapers bring ideas and images from the other side of the globe, widening people's notions of the possible. Why make do with this kind of government when there are alternative political systems available?

Lasse Berg writes, self-critically:

Reading what we observers, foreigners as well as Indians, wrote in the '60s and '70s, nowhere in these analyses do I see anything of present-day India. Often nightmare scenarios—overpopulation, tumult, upheaval or stagnation—but not this calm and steady forward-jogging, and least of all this modernization of thoughts and dreams. Who foresaw that consumerism would penetrate so deeply in and among the villages? Who foresaw that both the economy and general standard of living would do so well? Looking back, what the descriptions have in common is an overstatement of the extraordinary, frightening uncertainty, and an understatement of the force of normality.

Note that all of the dramatic development described by Berg has resulted from sharp moves over the past few decades toward international capitalism and trade.

This progress is all very well, many critics of globalization will argue, but even if the majority are better off, gaps have widened and wealthy people and countries have improved their lot more rapidly than others. The critics point out that 40 years ago the combined per capita GDP of the 20 richest countries was 15 times greater than that of the 20 poorest, and is now 30 times greater.

There are two reasons why this objection to globalization does not hold up. First, if everyone is better off, what does it matter that the improvement comes faster for some than for others? Only those who consider wealth a greater problem than poverty can find irritation in middle-class citizens becoming millionaires while the previously poverty-stricken become middle class.

Second, the allegation of increased inequality is simply wrong.

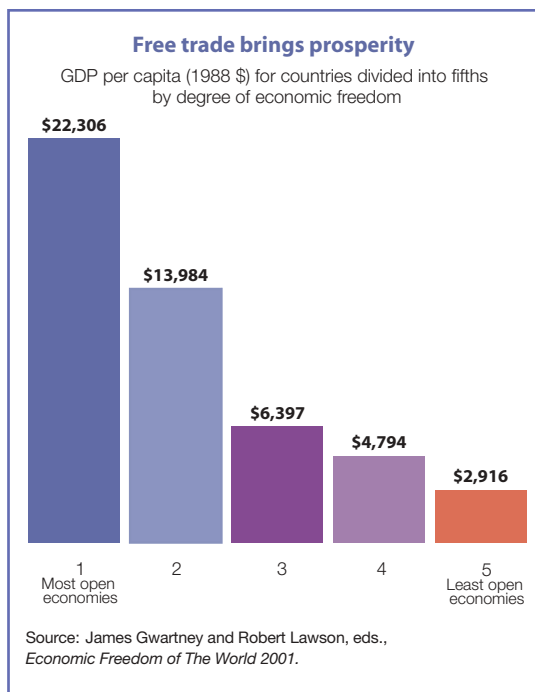
The notion that global inequality has increased is largely based on figures from the U.N.'s 1999 *Human Development Report*. The problem with these figures is that they don't take into account what people can actually buy with their money. Without that "purchasing power" adjustment, the figures only show what a currency is worth on the international market, and nothing about local conditions. Poor people's actual living standards hinge on the cost of their food, their clothing, their housing—not what their money would get them while vacationing in Europe. That's why the U.N. uses purchasing-power-adjusted figures in other measures of living standards. It only resorts to the unadjusted figures, oddly, in order to present a theory of inequality.

A report from the Norwegian Institute for Foreign Affairs investigated global inequality by means of figures adjusted for purchasing power. Their data show that, contrary to conventional wisdom, inequality between countries has continuously *declined* ever since the end of the 1970s. This decline has been especially rapid since 1993, when globalization really gathered speed.

More recently, similar research by Columbia University development economist Xavier Sala-i-Martin has confirmed those findings. He found that when U.N. figures are adjusted for purchasing power, they point to a sharp decline in world inequality. Sala-i-Martin and co-author Surjit Bhalla also found independently that if we focus on inequality between *persons*, rather than inequality between *countries*, global inequality at the end of 2000 was at its lowest point since the end of World War II.

Estimates that compare countries rather than individuals, both authors note, grossly overestimate real inequality because they allow gains for huge numbers of people to be outweighed by losses for far fewer. For instance, country aggregates treat China and Grenada as data points of equal weight, even though China's population is 12,000 times Grenada's. Once we shift our focus to people rather than nations, the evidence is overwhelming that the past 30 years have witnessed a strong shift toward global equalization.

One myth about trade is the notion that exports to other countries are a good thing, but that imports are somehow a bad thing. Many believe that a country grows powerful by selling much and buying little. The truth is that our standard of living will not rise until we use our money to buy more and cheaper things. One of the first trade theorists, James Mill, rightly noted in 1821 that "The benefit which derives from exchanging one commodity for another arises in all cases from the commodity *received*, not the commodity given." The only point of exports, in other words, is to enable us to get imports in return.



The absurdity of the idea that we must avoid cheap imports becomes clear if we imagine it applied to non-national boundaries. If imports really were economically harmful, it would make sense for one city or state to prevent its inhabitants from buying from another. According to this logic, Californians would lose out if they bought goods from Texas, Brooklyn would gain by refusing to buy from Manhattan, and it would be better for a family to make everything itself instead of trading with its neighbors. It's obvious that such thinking would lead to a tremendous loss of welfare: The self-sufficient family would be hard pressed just to keep food on the table. When you go to the store, you "import" food—being able to do so cheaply is a

benefit, not a loss. You "export" when you go to work and create goods and services. Most of us would prefer to "import" so cheaply that we could afford to "export" a little less.

Trade is not a zero-sum game in which one party loses what the other party gains. There would *be* no exchange if both parties did not feel that they benefited. The really interesting yardstick is not the "balance of trade" (where a "surplus" means that we are exporting more than we are importing) but the *quantity* of trade, since both exports and imports are gains. Imports are often feared as a potential cause of unemployment: If we import cheap toys and clothing from China, then toy and garment manufacturers here will have to scale down. But by obtaining cheaper goods from abroad, we save resources in the United States and can therefore invest in new industries and occupations.

Free trade brings freedom: freedom for people to buy and sell what they want. As an added benefit, this leads to the efficient use of resources. A company, or country, specializes where it can generate the greatest value.

Economic openness also leads to an enduring effort to improve production, because foreign competition forces firms to be as good and cheap as possible. As production in established industries becomes ever more efficient, resources are freed up for investment in new methods, inventions, and products. Foreign competition brings the same benefits that we recognize in economic competition generally; it simply extends competition to a broader field.

One of the most important but hard to measure benefits of free trade is that a country trading a great deal with the rest of the world imports new ideas and new techniques in the bargain. If the United States pursues free trade, our companies are exposed to the world's best ideas. They can then borrow those ideas, buy leading technology from elsewhere, and hire the best available man-

power. This compels the companies to be more dynamic themselves.

The world's output today is six times what it was 50 years ago, and world trade is 16 times greater. There is reason to believe that the trade growth drove much of the production growth. One comprehensive study of the effects of trade was conducted by Harvard economists Jeffrey Sachs and Andrew Warner. They examined the trade policies between 1970 and 1989 of 117 countries. The study reveals a statistically significant connection between free trade and economic growth. Growth was between three and six times *higher* in free-trade countries than in protectionist ones. Factors like improved education turned out to be vastly less important than trade in increasing economic progress.

Over those two decades, developing countries that practiced free trade had an average annual growth rate of 4.5 percent, while developing countries that practiced protectionism grew by only 0.7 percent. Among industrial countries, the free traders experienced annual growth of 2.3 percent, versus only 0.7 percent among the protectionists. It must be emphasized that this is not a matter of countries earning more because *others* opened to *their* exports. Rather, these countries earned more by keeping their own markets open.

If free trade is constantly making production more efficient, won't that result in the disappearance of job opportunities? When Asians manufacture our cars and South Americans produce our meat, auto workers and farmers in the United States lose their jobs and unemployment rises. Foreigners and developing countries will increasingly produce the things we need, until we don't have any jobs left. If increasing automation means everything we consume today will be able to be made by half the U.S. labor force in 20 years, doesn't that mean that the other half will be out of work? Such are the horror scenarios depicted in many anti-globalization writings.

The notion that a colossal unemployment crisis is looming began to grow popular in the mid 1970s. Since then, production has been streamlined and internationalized more than ever. Yet far more jobs have been created than have disappeared. We have more efficient production than ever before, but also more people at work. Between 1975 and 1998, employment in countries like the United States, Canada, and Australia rose by 50 percent.

And it is in the most internationalized economies, making the most use of modern technology, that employment has grown fastest. Between 1983 and 1995 in the United States, 24 million more job opportunities were created than disappeared. And those were not low-paid, unskilled jobs, as is often alleged. On the contrary, 70 percent of

the new jobs carried a wage above the American median level. Nearly half the new jobs belonged to the most highly skilled, a figure which has risen even more rapidly since 1995.

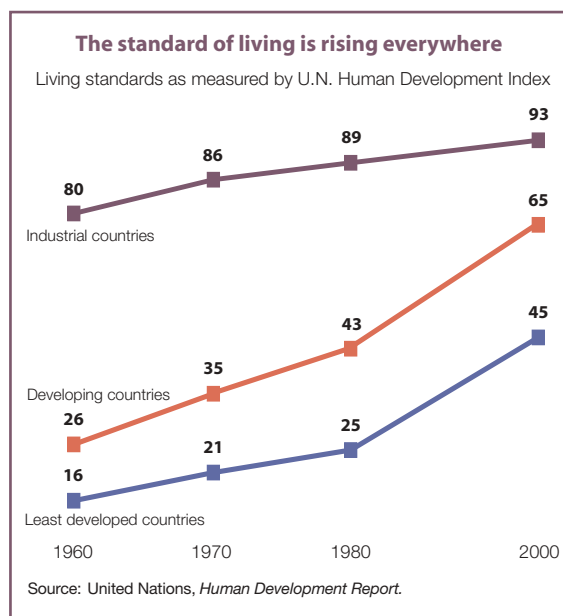
So allegations of progressively fewer people being needed in production have no empirical foundation. And no wonder, for they are wrong in theory too. Imagine a pre-industrial economy where most everyone is laboring to feed himself. Then food production is improved by new technologies, new machines, foreign competition, and imports. That results in a lot of people being forced to leave the agricultural sector. Does that mean there is nothing for them to do, that consumption is constant? Of course not; the manpower which used to be required to feed the population shifts to clothing it, and providing better housing. Then improved transport, and entertainment. Then newspapers, telephones, and computers.

The notion that the quantity of employment is constant, that a job gained by one person is always a job taken from someone else, has provoked a variety of foolish responses. Some advocate that jobs must be shared. Others smash machinery. Many advocate raising tariffs and excluding immigrants. But the whole notion is wrong. The very process of a task being done more efficiently, thus allowing jobs to be shed, enables new industries to grow, providing people with new and better jobs.

Efficiency does, of course, have a flip side. Economist Joseph Schumpeter famously described a dynamic market as a process of "creative destruction," because it destroys old solutions and industries, with a creative end in view. As the word "destruction" suggests, not everyone benefits from every market transformation in the short term. The process is painful for those who have invested in or are employed by less-efficient industries. Drivers of horse-drawn cabs lost out with the spread of automobiles, as did producers of paraffin lamps when electric light was introduced. In more modern times, manufacturers of typewriters were put out of business by the computer, and LP records were superseded by CDs.

Painful changes of this kind happen all the time as a result of new inventions and methods of production. Unquestionably, such changes can cause trauma for those affected. But the most foolish way to counter such problems is to try to prevent them. It is generally fruitless; mere spitting into the wind. Besides, without "creative destruction," we would *all* be stuck with a lower standard of living.

The idea that we should halt change now is as misguided as the idea that we should have obstructed agricultural advances two centuries ago to protect the 80 percent of the population then employed on the land. A far better idea is to use the economic gains that flow

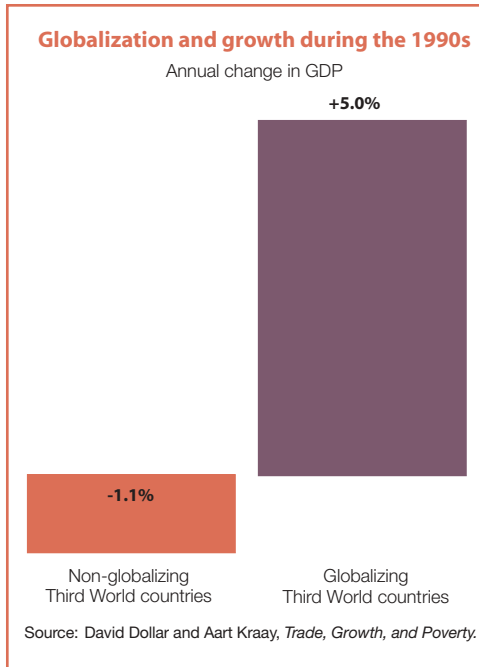


from transformation to alleviate the consequences for those adversely affected. As a Chinese proverb has it, “When the wind of change begins to blow, some people build windbreaks while others build windmills.”

But the troubles of change are seldom as widespread as a scan of the newspaper headlines might suggest. It is easy to report that 300 people lost their jobs in a car factory due to Japanese competition. It is less easy and less dramatic to report on the thousands of jobs that have been created because we were able to use old resources more efficiently. Costs affecting a small group on an isolated occasion are simple to spotlight, while benefits that gradually accrue to nearly everyone creep up on us without our giving them a thought. Hardly any of the world’s consumers have been informed by their news sources that wider selection, better quality, and lower prices spurred by competition following the Uruguay Round of trade liberalization have gained them between \$100 billion and \$200 billion annually. The difference is visible, though, in our refrigerators, our home electronics, and our wallets.

A review of more than 50 surveys of adjustments after trade liberalization in different countries shows clearly that adjustment problems are far milder than the conventional debate suggests. For every dollar of trade adjustment costs, roughly \$30 is harvested in the form of welfare gains. A study of trade liberalization in 13 different countries showed that in all but one, industrial employment had already increased just one year after the liberalization. The process turns out to be far more creative than destructive.

If there are problems resulting from unshackled capitalism, they ought to be greatest in the United States, with its constant swirling economic transformations. But our job market is a bit like the Hydra in the legend of Hercules. Every time Hercules cuts off one of the beast’s heads, two new ones appear. The danger of having to continue changing jobs all one’s life is exaggerated: The average length of time an American stays in a particular job actually increased between 1983 and 1995, from 3.5 years to 3.8. Nor is it true, as many people believe, that more jobs are created in the United States only because real wages have stagnated or fallen since the 1970s. A growing proportion of wages is now paid in non-money forms, such as health insurance, stocks, 401(k) contributions, day care, and so forth, to avoid taxation. When these benefits are included, American wages have risen right along with productivity. Among poor Americans, the proportion of consumption devoted to food, clothing, and housing has fallen since the 1970s from 52 to 37 percent, which clearly shows that they have money to spare for much more than the bare necessities of life.



The type of protectionism most fashionable among intellectuals today holds that we should not permit trade with countries that have poor working conditions or environmental protections. Since President Clinton proposed this kind of boycott at the World Trade Organization talks in Seattle in 1999, trade liberalization has largely deadlocked. Developing countries refuse to negotiate under such threats.

Whatever affluent demonstrators in economically powerful countries may believe, low wages and poor environmental conditions in developing countries are not the result of lack of enlightenment or stinginess. Generally the problem is that employers cannot afford to pay higher wages and provide better working conditions, because worker productivity is

much lower in undeveloped countries. Wages can be raised as labor becomes more valuable, and that can be achieved only through better infrastructure, more education, new machinery, better organization, and increased investment. If we force these countries to raise wages before productivity has been improved, firms and consumers will be asked to pay more for their manpower than it is currently worth—denying those citizens any chance to work next to the more productive, better-paid workers of the Western world. Unemployment among the world’s poor would swiftly rise.

Jesus Reyes-Heroles, Mexican ambassador to the United States, has explained, “In a poor country like ours the alternative to low-paying jobs isn’t high-paying jobs—it’s no jobs at all.” In effect, labor and environmental provisions tell the developing countries: You are too poor to trade with us, and we are not going to trade with you until you have grown rich. The problem is that only through trade can they grow richer and thereby, step by step, improve their living standards and their social conditions. This is a catch-22.

Suppose this idea had been in vogue at the end of the nineteenth century. Britain and France would have noted that Swedish wages were only a fraction of theirs, that Sweden had a 12- or 13-hour working day and a six-day week, and that Swedes were chronically undernourished. Child labor was widespread in spinning mills, glassworks, and match and tobacco factories. One factory worker out of 20 was under 14 years old. Britain and France, accordingly, would have refused to trade with Sweden and closed their frontiers to Swedish cereals, timber, and iron ore.

Would Swedes have benefited? Hardly. Such a decision would have robbed them of earnings and blocked their industrial development. They would have been left with intolerable living conditions, children would have stayed in the factories, and perhaps to this day they would be eating tree-bark bread when the harvest failed. But that didn’t happen. Trade with Sweden was allowed to grow unin-

errupted, industrialization got under way, and the Swedish economy was revolutionized. This didn't just help Sweden, it also gave Britain and France a new peer for prosperous exchange.

If today, as a condition for trading with the developing countries, we require their mining industries to be as safe as the West's are now, we make demands that we ourselves did not meet when our own mining industries were developing. It was only after raising our incomes that we were able to develop the technology and afford the safety equipment we take for granted today. If we require developing countries to adopt those practices and equipment before they can afford them, their industries will be knocked out. That will not help the world's poor. And it will not help us gain new prosperous, stable, clean trading partners.

Advocates of protectionism often complain of "sweatshops" allegedly run by multinational corporations in the Third World. Let's look at the evidence: Economists have compared the conditions of people employed in American-owned facilities in developing countries with those of people employed elsewhere in the same country. In the poorest developing countries, the average employee of an American-affiliated company makes *eight times* the average national wage! In middle income countries, American employers pay *three times* the national average. Even compared with corresponding modern jobs in the same country, the multinationals pay about 30 percent higher wages. Marxists maintain that multinationals exploit poor workers. Are much higher wages "exploitation"?

The same marked difference can be seen in working conditions. The International Labor Organization has shown that multinationals, especially in the footwear and garment industries, are leading the trend toward better working conditions in the Third World. When multinational corporations accustom workers to better-lit, safer, and cleaner factories, they raise the general standard. Native firms then also have to offer better conditions, otherwise no one will work for them. Zhou Litai, one of China's foremost labor attorneys, has pointed out that Western consumers are the principal driving force behind the improvements of working conditions in China, and worries that "if Nike and Reebok go, this pressure evaporates."

One of the few Western participants in the globalization debate to have actually visited Nike's Asian subcontractors to find out about conditions there is Linda Lim of the University of Michigan. She found that in Vietnam, where the annual minimum wage was \$134, Nike workers got \$670. In Indonesia, where the minimum wage was \$241, Nike's

suppliers paid \$720. If Nike were to withdraw on account of boycotts and tariffs imposed from the West, these employees would be put out of work and would move to more dangerous and less lucrative jobs in native industry or agriculture.

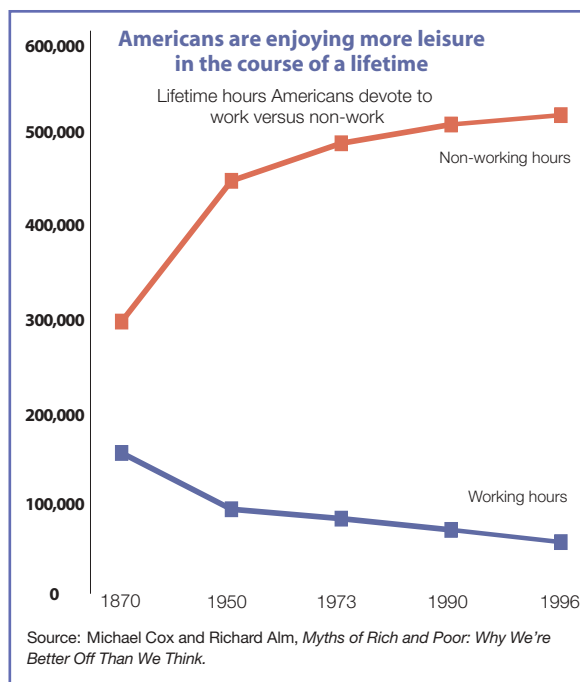
There are of course rogues among entrepreneurs, just as there are in politics, and all parts of life. But bad behavior by a few is no reason for banning large corporations from investing overseas. That would make no more sense than disbanding the police because we find instances of police brutality.

It is commonly supposed that in order to cope with rising competition from the Third World and increasingly efficient machinery, we in the United States and Western Europe must work harder and put in longer and longer hours. Actually, the time we spend working has diminished, as rising prosperity resulting from growth has enabled us to earn the same pay by doing less work—if we want to. Compared with our parents' generation, most of today's workers go to work later, come home earlier, have longer lunch and coffee breaks, longer vacations, and more public holidays. In the U.S., working hours today are only about half of what they were a hundred years ago, and have diminished by about 10 percent just since 1973—a reduction equaling 23 days per year. On average, American workers have acquired five extra years of waking leisure time since 1973.

We start working progressively later in life, and retire earlier. Calculated over his lifetime, a Western worker in 1870 had only two hours off for each hour worked. By 1950 that figure had doubled to four hours off. Today it has doubled again to about eight hours off for each hour worked. Economic development, closely linked to an expansion of trade that has enabled us to specialize, makes it possible for us to reduce our working hours sharply even as we raise our material living standard.

It is natural for us in the affluent West to complain about

stress. This is caused mostly by the fantastic growth of options. Pre-industrial citizens, spending all their lives in one place and perhaps meeting a hundred people in a lifetime, were less likely to feel that they did not have time for everything they wanted to do. People spent a lot of their non-working time sleeping. Today, we can travel the world, read newspapers, see films from every corner of the globe, and meet a hundred people every day. We used to go to the mailbox and wait for the postman. Now e-mail sits in our inbox, waiting for us. We have a huge entertainment industry that offers an almost infinite number of ways to pass the time. No wonder the result is a certain frustration over not finding hours enough to do everything.



But compared with the problems that earlier people had, and that most people in developing countries still have today, this kind of worry should be recognized for what it is—a luxury. Stress and burnout at work can be real. But they're not caused by globalization.

Corporations have not acquired more power through free trade.

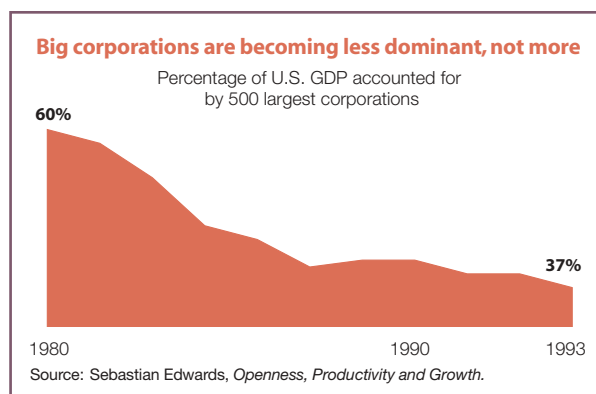
Indeed, they used to be far more powerful—and still are in dictatorships and controlled economies. Large corporations have chances to corrupt or manipulate when power is distributed by public officials who can be hobnobbed over luncheons to give protection through monopolies, tariffs, or subsidies. Free trade, on the other hand, exposes corporations to competition. Above all, it lets consumers ruthlessly pick and choose across national borders, rejecting companies that don't measure up.

People living in isolation are dependent on local enterprises and are forced to buy what they offer at the price they demand. Free trade and competition are the best guarantees of alternatives penetrating the market if the dominant firm does not satisfy. The only reason a lump of sugar costs two to three times as much in the E.U. as on the world's open markets is because European governments block trade with sugar tariffs. In this way, bureaucrats create far more monopolies than does capitalism.

Capitalists, however, aren't necessarily loyal adherents of capitalism: Often, they are happy to collaborate with governments to protect their privileges. A market economy and free trade are the best ways to force them to offer a better return for our resources. Free trade does not confer coercive power on anyone. The freedom of a business in a free market economy is like a waiter's freedom to offer the menu to a restaurant patron. And it entitles other waiters—foreign ones, even!—to come running up with rival menus. The loser in this process, if anyone, is the waiter who once had a monopoly.

Nothing forces people to accept new products. If they gain market share, it is because people want them. Even the biggest companies survive at the whim of customers. Mega-corporation Coca-Cola has to adapt the recipe for its drinks to different regions in deference to local variations in tastes. McDonald's sells mutton burgers in India, teriyaki burgers in Japan, and salmon burgers in Norway. TV mogul Rupert Murdoch failed to create a pan-Asian channel and instead has been forced to build different channels to suit local audiences.

Companies in free competition can grow large and increase their sales only by being better than others. Companies that fail to do so quickly go bust or get taken over by someone who can make better use of their capital, buildings, machinery, and employees. Capitalism is very tough—but mainly on firms offering outdated, poor-quality, or expensive goods and services. Fear of established companies growing so large as to become unac-



countable has absolutely no foundation in reality. In the U.S., the most capitalist large country in the world, the market share of the 25 biggest corporations has steadily dwindled over recent decades.

Freer markets make it easier for small firms with fresh ideas to compete with big corporations. Between 1980 and 1993, the 500 biggest American corporations saw their

share of the country's total employment diminish from 16 to 11 percent. During the same period, the average personnel strength of American firms fell from 17 to 15 people, and the proportion of the population working in companies with more than 250 employees fell from 37 to 29 percent.

Of the 500 biggest enterprises in the United States in 1980, one third had disappeared by 1990. Another 40 percent had evaporated five years later. Whether they failed to grow enough to stay on the list, died, merged, or broke up, the key lesson is that big corporations have much less power over consumers than we sometimes imagine. Even the most potent corporation must constantly re-earn its stripes, or tumble fast.

Half the firms operating in the world today have fewer than 250 employees. The biggest brand logos are always flashed before our eyes, but we forget that they are constantly being joined by new ones. How many people recall that just a few years ago Nokia was a small Finnish firm making tires and boots?

Many people fear a "McDonaldization" or "Disneyfication" of the world, a creeping global homogeneity that leaves everyone wearing the same clothes, eating the same food, and seeing the same movies. But this portrayal does not accurately describe globalization. Anyone going out in the capitals of Europe today will have no trouble finding hamburgers and Coca-Cola, but he will just as easily find kebabs, sushi, Tex-Mex tacos, Peking duck, Thai lemongrass soup, and cappuccino. We know that Americans listen to Britney Spears and watch Adam Sandler films, but it's worth remembering that the United States is also a country with 1,700 symphony orchestras, 7.5 million annual trips to the opera, and 500 million museum visits a year. Globalization doesn't just give the world shlocky reality TV and overplayed music videos, but also classic films and documentaries on many new channels, news on the Internet, and masterpieces of music and literature in stores and on the Web.

The world is indeed moving toward a common objective, but that objective is not the predominance of a particular culture. Rather it is pluralism, the freedom to choose from a host of different paths and destinations. The market for experimental electronic music or film versions of novels by Dostoevsky may be small in any given place, so musicians and filmmakers producing such material could never produce anything without access to the much larger audience provided by globalization.

This internationalization is, ironically, what makes people believe that differences are vanishing. When you travel abroad, things look much the same as in your own country: The people there also have goods and chain stores from different parts of the globe. This phenomenon is not due to uniformity and the elimination of differences, but by the growth of pluralism everywhere.

Such opportunity can have negative effects in certain situations. When traveling to another country, we want to see something unique. Arriving in Rome and finding Hollywood films, Chinese food, Japanese Pokemon games, and Swedish Volvos, we miss the local color. And national specialties like pizza, pasta, and espresso are already familiar to us because we have them at home, too.

But this is another one of those luxury problems. I know a man from Prague who was visited by Czech friends who had settled abroad. The expatriates deplored the arrival of McDonald's in Prague because it threatened the city's distinctive charm. This response made the man indignant. How could they regard his home city as a museum, a place for them to visit now and then in order to avoid fast food restaurants? He wanted a real city, including the convenient and inexpensive food that these exile Czechs themselves had access to. A real, living city cannot be a "Prague summer paradise" for tourists. Other countries and their populations do not exist in order to give us picturesque holiday experiences. They, like us, are entitled to choose what suits their own tastes.

There's nothing new about cultures changing, colliding with each other, and cross-pollinating. Even the traditions we think of as most "authentic" have often resulted from cultural imports. One of the most sacred Christmas traditions in my home country of Sweden celebrates an Italian saint by adorning the hair of blond girls with lighted candles. Change and renewal are an inherent part of civilization. If we try to freeze certain cultural patterns in time they cease to be culture and instead become museum relics and folklore. There is nothing wrong with museums—but we can't live in one.

In the age of globalization, the ideas of freedom and individualism have attained tremendous force. There are few concepts as inspiring as that of self-determination. When people in other countries glimpse a chance to set their own course, it becomes almost irresistible. If there is any elimination of differences throughout the world, it has been the convergence of societies on the practice of allowing people to choose the sort of existence they please.

Global commerce does undermine old economic interests, challenge cultures, and erode some traditional power centers. Advocates of globalization have to show that greater gains and opportunities counterbalance such problems. The anti-globalists are right that we could reject

globalized trade if we adamantly insisted. Capital can be locked up, commercial flows blocked, and borders barricaded.

This happened across our planet at least once before. Decades of expanding economic liberty and globalization during the nineteenth century were replaced with nationalistic saber-rattling, centralization, and closed borders at the beginning of the twentieth century. The outbreak of World War I marked a new era.

Globalization resumed after World War II, but countries like Burma and North Korea show that it is still possible to cut oneself off from international trade, so long as one is prepared to pay heavily for doing so with political oppression and economic deprivation. It is not "necessary" that we follow the trend toward expanding global trade. It is highly desirable.

Globalization makes an excellent scapegoat. It contains all the anonymous forces that have served this purpose throughout history: foreign countries, other races and ethnic groups, the uncaring market. Globalization does not speak up for itself when politicians blame it for overturning economies, increasing poverty, enriching a tiny minority, polluting the environment, or cutting jobs. And globalization doesn't usually get any credit when good things happen—an economy running at high speed, poverty diminishing, clearing skies. So if the trend toward greater global interchange and liberty is to continue, an ideological defense is needed.

In 25 years there are likely to be 2 billion more of us on this planet, and 97 percent of that population increase will occur in the developing world. There are no automatic processes deciding what sort of world they will experience. Most of that will depend on what people like you and me believe, think, and fight for.

Lasse Berg and Stig Karlsson record Chinese villagers' descriptions of the changes they experienced since the 1960s: "The last time you were here, people's thoughts and minds were closed, bound up," stated farmer Yang Zhengming. But as residents acquired power over their own livelihoods they began to think

for themselves. Yang explains that "a farmer could then own himself. He did not need to submit. He decided himself what he was going to do, how and when. The proceeds of his work were his own. It was freedom that came to us. We were allowed to own things for ourselves."

Coercion and poverty still cover large areas of our globe. But thanks to globalizing economic freedom, people know that living in a state of oppression is not natural or necessary. People who have acquired a taste of economic liberty and expanded horizons will not consent to be shut in again by walls or fences. They will work to create a better existence for themselves. The aim of our politics should be to give them that freedom.

