

VIEWPOINT

Open Societies, Closed Minds

There's a good case for globalization, but who has the courage to make it?

Josef Joffe

THIS YEAR DOESN'T LOOK GOOD FOR THE WORLD'S globophobes and thrashfest lovers. Their favorite target, the World Economic Forum, tucked tail and left Davos for the Waldorf-Astoria in New York, where the city's finest are famous for their zero-tolerance approach to violent manifestations of discontent.

But wait! On the same weekend, Munich suddenly beckoned. For the past 38 years, strategists from all over the world have assembled in the Bavarian capital in midwinter to ponder the ailments of NATO and the finer points of nuclear theology at the Munich Conference on Security Policy. But no luck there, either. Munich is the realm of Edmund Stoiber, the German right's candidate for Chancellor. He wasn't going to look like a loser in the law-and-order game, so he and the Social-Democrat mayor (who is standing for re-election) recruited 3,500 police from all over the country: one officer in green for every would-be malfeasant. Thus the local McDonald's outlets were spared the fate of their Davos counterpart in years past.

But one must not cheer too enthusiastically over the deterrent power of Munich's men in green. First, their success was bought at the cost of a ban on downtown demonstrations, always a high price to pay in a liberal democracy. Second, there is something disconcerting about the defenses—and defensiveness—of the Davosians and Bavarians.

The Munich crowd—Defense Ministers, U.S. Senators, four-star generals—simply withdrew behind a cordon of police power, as if their disquisitions on global terrorism had nothing to do with the real-world issues of war and peace. On the other hand, Klaus Schwab, the impresario of the World Economic Forum, keeps opting for co-optation—inviting ever more globocritics and professional *bien-pensants* inside the tent. This year, Irish pop star Bono was a keynote speaker; apart from pontificating about a Marshall Plan for Africa, he rejoiced—uncontested—in bad-mouthing captains of Big Business as “corporate motherf_____s.”

But if the world's political and economic élites are either cowed or wowed by the likes of Bono, who will make a reasoned pitch for free trade, trans-border capital flows and the profits of comparative advantage? The case isn't exactly poppycock or perdition, as the globophobes want us to believe. Adam Smith made the case in 1776, with his *Wealth of Nations*, and the argument still holds up nicely. Most recently, we have *Globalization*,

Quelle: TIM

Montag

Nr:

Seite:

Time (international)

18.02.2002

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Growth and Poverty by David Dollar and Paul Collier of the World Bank; for an "executive summary," see "Spreading the Wealth" in the February issue of *Foreign Affairs*.

Here are highlights from the article: "The current wave of globalization, which started around 1980, has actually promoted economic equality and reduced poverty." And: "Countries that have become more open have grown faster." Are the rich getting richer and the poor poorer? Not quite, if one contrasts the performance of the "globalizing countries" with that of the "non-globalizing group." Per capita growth in the former rose steadily from 1% in the 1960s to 5% in the 1990s. And the rich? They grew only by 2%. Worst off were the non-globalizers, those Third-World countries that shut themselves off from trade and investment. They—mostly the countries of Africa and the Arab Middle East—grew only by 1%.

Does globalization increase inequality within countries? "In general, higher growth rates in globalizing developing countries

have translated into higher incomes for the poor."

Adam Smith was right. A larger market, which frogleaps borders, makes for a more complex, wealth-creating division of labor that also facilitates innovation and "learning by doing." Shut yourself off, opt for capital controls and import-substitution, and you will not flourish.

What else needs to be said? For starters, all those luminaries at the World Economic Forum might make two arguments. One should be directed to the home front: Do not build trade walls against the developing countries. Protectionism

by the rich is the worst religion of them all. The other plea should be addressed to the targets of their benevolence, the threshold countries in Asia and Africa. Here the message must be: Protect property, respect contracts, abide by the rule of law, build institutions that allow you to prosper from globalization. Resist kleptocracy and dictatorship.

It is not difficult to make a persuasive pitch for globalization. History and present-day facts tell the same story over and over. So why do the world's Great and Good prefer to be cowed or wowed? Because it is so much harder to tell entrenched interest groups at home that they must mend their protectionist ways. And it is even harder to remind those whom we once colonized and oppressed that bad governance is the root of all poverty and injustice. Cheering Bono's harangues before peeling off to Le Cirque or the Four Seasons is just a lot more fun. ■

Protesters in Munich: Who is really helping the case for developing countries?

PETER KNIEFEL—AFP