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Comment on Ravi Kanbur, “Growth, Inequality and Poverty: Some Hard Questions” and Kaushik Basu, “The Retreat of Global Democracy,” prepared for the Conference on the Ethics of Globalization and Development, September 29-30, 2006

Professors Kanbur and Basu both raise hard questions, without obvious answers. How should human rights be defined, and how should they be enforced? In a globalized world, what responsibility do the leaders and citizens of the most powerful countries have to the citizens of the less-fortunate? To whom should global institutions like the World Bank, WTO and IMF be held accountable? How should the goals of such organizations – one example being the United Nations’ Millennium Development Goals – be identified and weighted by importance? How should poverty be measured, and how might apparent successes in reducing world-wide poverty need to be qualified? And finally, what might be the million-dollar question, adapted a bit from Kanbur: how *do* the right policies and institutions – for promoting equitable growth, for protecting human rights, for enforcing global democracy – come to be adopted, both within an individual country and on a global scale?

Both papers succeed in highlighting the many levels of complexity involved in answering questions like these, and in making obvious the initially not-so-obvious ethical and moral issues associated with them. Kanbur’s discussion of poverty and the first MDG is particularly illuminating – at first glance, how could the goal of halving the global poverty rate contain hidden ethical dilemmas? And yet, once the issues of the absolute numbers of people living in poverty, their higher mortality rates, and the prevalence of differential regional trends and churning in the patterns of poverty reduction are recognized, it is not at all clear how success in the reduction of poverty world-wide should be defined, and very clear that it is indeed a hard question.

Kanbur’s points about the MDGs are all well-taken – though of course the fact remains, that, unfortunately, “halving the incidence of global poverty by 2015” will always be a catchier slogan than “reducing the incidence of global poverty while being mindful of the numbers of the total poor, regional trends, mortality rates and the weight we give to this goal over all others.” Still, it is difficult to question the value of taking a more nuanced and informed view of the U.N.’s goals. What is not entirely clear, however, is how exactly this section of the paper is meant to relate to the preceding sections, which discuss the relationships between growth, inequality and poverty and the adoption of “good” institutions. Obviously, good policies and institutions which promote equitable growth in developing countries will reduce poverty, but since Kanbur’s discussion stresses the frustrating lack of a clearly-identified policy variable linking trade, growth and the reduction of inequality and poverty, I was left with a big question – how exactly are the MDGs being pursued, especially the reduction in the poverty rate? A quick glance at the latest U.N. *Millennium Development Goals Report* revealed it to be quite long on optimistic numbers and charts touting its successes and equally short on substantial explanations of policy and how these successes have been achieved.

The *Report* does, under its last goal, which is to “develop a global partnership for development,” state a target of developing further “an open, rule-based, predictable, non-

discriminatory trading and financial system” and claims as a success the fact that “three quarters of exports from developing countries now enter developed markets duty-free”.¹ While it seems difficult to argue (particularly for an economist) that greater access to export markets would not be a key to encouraging growth in developing countries, much of the opposition to globalization seems to come from some idea that access to the developed markets comes at a somehow exploitative price – that trade treaties always favor the developed country, that openness to trade and global markets somehow hurts more than it helps workers in the developing world (maybe by increasing their vulnerability to global market forces, or by leading to the use of sweatshops and child labor). Thus, as Kanbur discusses, although openness to trade does seem to be empirically related to higher growth, it is not at all clear whether it encourages equitable growth or whether it reduces or exacerbates inequality and poverty in developing countries. If it is not trade openness itself, but some set of policies and institutions that tend to encourage openness as well as equitable growth, then, as Kanbur points out, the effect of simply lowering or removing tariffs in order to effect openness may or may not be the appropriate policy, may or may not encourage growth that brings reductions in inequality and poverty.

Kanbur’s discussion of trade, growth, inequality and poverty approaches the issue of globalization primarily as a potential policy tool – if the right policies and institutions are in place, globalization in the form of trade openness could promote equitable growth and the reduction of poverty. He seems to skirt around a related issue -- what has been the direct effect of globalization on world inequality and poverty? Who, in which countries, have been the winners and losers? Does it increase or reduce inequality between, as well as within, countries, and does it ultimately help more to relieve or to entrench poverty in less-developed countries? Again, I think that some idea that globalization has made many people in developing countries worse off, despite its potential to make them better off, lies behind most moral and ethical discomfort with the process of globalization.

One interesting attempt to answer the question of whether globalization makes the world, on the whole, more or less equal can be found in Lindert and Williamson (2003), which argues that, on balance, globalization has had mitigating, rather than worsening, effects on world inequality, particularly post-WWII.² They find that, for those countries who participate, globalization has had a clear positive effect in promoting growth and reducing between-country inequality, and argue that the major cases for which trade liberalization appears to have been associated with increases in within-country inequality, like India and China, can be attributed to incomplete globalization rather than to globalization itself – to the “exclusion of much of the population from the benefits of globalization” rather than to “widening gaps among those who participate in it.”³

In light of Lindert and Williamson’s fairly convincing case that globalization does not play the role that many might imagine in promoting *income* inequality, Basu’s argument that globalization has a “natural coercive effect on global democracy” raises a particularly interesting issue, and one that seems quite relevant to any bad feelings that

¹ <http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2006/MDGReport2006.pdf>

² Peter Lindert and Jeffrey Williamson, “Does Globalization Make the World More Unequal?,” in Bordo, Michael D., Alan M. Taylor and Jeffrey G. Williamson, eds., *Globalization in Historical Perspective* (Chicago, 2003).

³ Lindert and Williamson, 250-5.

globalization seems to generate. Asymmetric political power, and the resulting influence that the decisions of one, more powerful, nation's leadership can have over the economic lives of the citizens of another, less powerful, nation could certainly be perceived as a form of inequality – of voice, power, representation – even more abhorrent than that conceived in terms of average incomes, and could go a long way to explaining what seems a widespread popular association of the process of globalization and increasing world inequality. (Which is precisely what I think Basu's comment that "the inchoate demands of the protestors in the streets of Seattle and Washington earlier this year may be founded in an intuitive but ill-articulated perception of this erosion of democracy" is getting at.⁴)

I find the notion of global democracy to provide an incredibly powerful way of thinking about the effects of globalization on the world's less powerful countries and people. Without having to grapple with the technicalities of how some particular trade policy, or condition of aid, or exchange rate regime, might affect workers in one place or another, thinking simply of how little *say* the people of the weaker nation have in the imposition of these policies highlights a major moral failing of the process of globalization, and more specifically, on the part of the developed countries of the world. Though I am probably not the target that most needed convincing, Basu's argument leaves me with no doubt that the major global institutions, like the World Bank, IMF and WTO, should be made much more accountable to the poor countries that their very existence is charged with helping. If the idea of the citizens of poor, weak nations being able to vote in the elections of the rich and powerful nations which influence them does seem a bit far-fetched (although perhaps useful in our last presidential election, depending on one's politics!), the arguments – practical, economic and moral – for, at the very least, strengthening the democratic structure of the major global institutions are strong.

The main question that Basu's paper raised for me may display a lack of imagination, or knowledge of the international economy, or both, but – if the World Bank, IMF and WTO were to be made satisfactorily democratic, and developing countries acquired more of a say in the policies that affect them, what exactly would happen? What kinds of policies might they choose instead, how would the world look, what might be the ultimate effect on the developed countries?

⁴ Basu, "The Retreat of Global Democracy," *Indicators* (2002).