

Why Teach Globalization?

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The rapid growth of the global economy raises crucial questions: How does trade affect labor standards and the environment? What are the effects of global investment? What are the affects of the “clash of cultures” produced by new technology putting film, books, television and music on discs or on the Internet and new ways to send that “content” spinning around the world instantly?

Globalization101.org is designed to examine these and other questions and to equip students to analyze the policy choices raised by globalization that loom increasingly large on the horizon.

Foreign investment, for example, is a powerful force – more so than trade – in moving the world toward global integration. Investment transfers know-how, technology, and new management techniques. With them come both more significant growth than simple trading of goods and whole new ways of doing business. From 1980 to 1998, there was a 25% annual increase in investment compared to a 5% annual increase in trade. Students ask, “Why?” and teachers should begin to help them answer that question.

Investment and rules that govern or fail to govern it have profound effects on economic development, environmental protection, labor standards, and economic stability. No developing country has managed to achieve rapid and sustained growth that raises the prosperity of its population without increasing its openness to foreign investment. Perhaps it is not surprising, then, that some economists support creation of national environments that are generally supportive of investment—both domestic and international.

So, how should future policy-makers answer this question: should the government spend government funds to improve the infrastructure of an export processing zone to attract foreign investment? Or should it spend government funds on improvement of the management of the justice system (local and national courts, police, prosecutors) to help control corruption?

Certain investments, however, such as in industries involving the extraction of natural resources, can harm the environment and make little contribution to long term growth. But investment in labor intensive manufacturing is more likely to produce widespread, lasting economic benefits. Are we teaching our students about these issues? Shouldn't we be?

What about the distinction between foreign direct investment and foreign portfolio investment? Does this sound too esoteric? Foreign portfolio investment was central to the Asian financial crisis of 1997, raising well-founded concerns about the financial volatility of short-term investment capital and the need for prudent policies for the future.

What about the trade-off between protection of foreign investment and the ability of governments to impose regulation for reasons of public health, safety, and environmental protection? Seemingly innocent provisions on protection of investors from state interference in Chapter 11 of NAFTA have created a firestorm of controversy. And why did the Organization for Economic Cooperation and Development fail to create a Multilateral Agreement on Investment several years ago? What do we think about the new efforts of the European Union to add investment to the agenda in the WTO? Why are developing countries dead set against the idea?

Not all concerns about globalization are purely economic, however. Austrian economist Joseph Schumpeter described capitalism as a process of "creative destruction." Some think national cultural values are too important to put a price tag on, and no destruction of them can be considered "creative." One observer put it this way: "The powers that be have long believed that the world is divided into two spheres of influence: commerce and government. Now organizations representing the cultural sphere—the environment, species preservation, rural life, health, food and cuisine, religion, human rights, the family, women's issues, ethnic heritage, the arts and other quality-of-life issues—are pounding on the doors at world economic and political forums and demanding a place at the table."

Consider, too, what Samuel Huntington said in his "Clash of Civilizations": "[T]he fundamental source of conflict in this new world will not be primarily ideological or primarily economic. The great divisions among humankind and the dominating source of conflict will be cultural. Nation states will remain the most powerful actors in world affairs, but the principal

conflicts of global politics will occur between nations and groups of civilizations. The clash of civilizations will dominate global politics.”

In short, Huntington argues that with the end of global competition over economic ideology, the fault lines of world conflict today lie along rifts between the great cultures of the world: Western, Confucian, Japanese, Islamic, Hindu, Slavic-Orthodox, Latin American, and African.

Even if we think he may be overstating the point, all we have to do is look around at the major conflicts in the world and he doesn't seem to be too far off the mark.

The role of technology in a global system is also crucial. In his New York Times column, Thomas Friedman once said that the one thing he learned from a post-September 11th trip to Israel, Jordan, Dubai, and Indonesia was that, “Thanks to the Internet and satellite TV, the world is being wired together technologically, but not socially, politically or culturally. We are now seeing and hearing one another faster and better but with no corresponding improvement in our ability to learn from, or understand, one another, so integration, at this stage, is producing more anger than anything else.” That “anger” can have and is having deep economic and cultural effects. We should be helping students understand them.

Friedman was not the first to notice these effects, however. Adam Smith, 250 years ago, said this about the effect of geographic distance on the emotions of a “humane” person: “Let us suppose that the great empire of China, with all its myriads of inhabitants, was suddenly swallowed up by an earthquake. Let us consider how a man of humanity in Europe who had no sort of connection with that part of the world would be affected upon receiving intelligence of this dreadful calamity. . . . If he was to lose his little finger, he would not sleep tonight; but, provided he never saw the earthquake in China, he will snore with the most profound security over the ruin of a hundred million of his bretheren, and the destruction of that immense multitude seems plainly an object less interesting to him, than this paltry misfortune of his own.” Now, consider today's world of the Cable News Network and the now famous “CNN effect.”

Finally, health has now become a global concern as well. The growing international movement of goods and people in our world increases opportunities for the spread of diseases — such as HIV/AIDS, malaria,

tuberculosis, or “mad cow disease.” The mosquitoes that carry malaria have been found aboard airplanes thousands of miles from their primary habitats. Infected seafood carrying cholera bacteria have been shipped from Latin America to the United States and Europe.

At the same time, globalization can also improve access to medicines, medical information, and training that can help treat or cure diseases. Drug companies and governments can ship drugs to remote parts of the world affected by outbreaks of disease. Doctors can put medicines, diagnostic techniques or hundreds of case histories in the hands of physicians in poor countries through new distribution networks and telecommunications technologies. But what about getting drugs to the needed places at acceptable costs? Should poorer nations get reduced-cost access? Then the question arises, how do we preserve economic incentive for invention of new pharmaceuticals?

Now scientists have found ways to unlock the genetic codes of plants and animals that make them more resistant to parasites, make them grow faster or yield higher quantities of protein. But what about the health effects of genetically modified organisms? Consider the total breakdown of trade in GMO's in the EU and United States because of different regulatory schemes, cultural biases, and political institutions. We are foregoing sales worth billions of dollars to the United States. The economic stakes as well as the public health issues could hardly be larger. Are we teaching enough about all of these issues to the future generation of policy- makers?

These questions provide only a glimpse into the need to teach globalization to today's generation of students. We hope that globalization101.org will provide information to help students answer these questions.