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Globalization and the world economy

– for richer for poorer, for better or worse?

by Paul S Mills

Replace capitalism with something nicer.

May Day placard, 2001¹

The failure of our world is not that there is too much globalization, but that there is too little.

Martin Wolf²

Summary

Globalization is transforming the world for both good and ill, although it is neither new nor inevitable. Globalization is largely innocent of the crimes for which it is usually charged. It has the potential dramatically to reduce global poverty and undermine repressive regimes. But globalization challenges the viability of the nation state and homogenises diverse cultures. Its most lasting legacy could well be easing the spread of the gospel.

Introduction

Globalization is a pervasive issue in international relations and has polarized Christian opinion. On the one hand, global capitalism is denounced as one of the demonic ‘principalities and powers’ against which the church must battle, whereas others see increased trade as the only viable means to bring economic prosperity to lower income countries.

When faced with such a divide, it is tempting to adopt the naive optimism of the May Day campaigner and just hope for something nicer to turn up. But rich Christians cannot afford that luxury if we are to work, pray and campaign for what is best for God’s world and the poor. Should we embrace globalization as a force for good; challenge its shortcomings and seek to reform its processes; or advocate a more self-sufficient world where the nation state decides its own fate?

Definition

‘Globalization’ can be narrowly defined in economic terms as the increasing integration of economies across national borders through trade in goods and services, the migration of labour and the investment of capital. More widely, it also involves the spread of cultural influences and ease of communication across borders. This paper concentrates on the former aspect.

The principal cause of globalization has been the dramatic reduction in both durations and costs of international transport and communication – be it the container ship or the Internet. Since the interwar period, the average real charge for ocean freight tonnage has fallen by 70 per cent, average revenue per air passenger mile by 85 per cent and the cost of a 3-minute transatlantic telephone call by 99 per cent. These technological enhancements have been accompanied by a reduction in regulatory barriers to trade, financial flows and investment.

Historical perspective

Cross-border trade has been expanding almost continuously since the thirteenth century and now accounts for a greater proportion of world Gross Domestic Product (GDP) than at any time. But globalization in many of its facets is not a new phenomenon. Indeed, in many respects, 1870–1914 experienced a far greater degree of integration of the world economy than currently exists, aided again by improvements in travel (railways and steamships) and communications (the telegraph). For instance, Britain’s exports of financial capital averaged 4.6 per cent of GDP – far in excess of any country since. An estimated 10 per cent of the world’s population migrated from one continent to another between 1870 and 1925.³ We forget that the passport was a WWI invention to regulate cross-border travel.

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¹ Quoted by John Kay, *Financial Times*, 25 July 2001.

² Martin Wolf, *Why Globalization Works*, Bury St. Edmunds: St Edmundsbury Press, 2004, p.4.

³ HM Treasury, *Long-term global economic challenges and opportunities for the UK*, London, December 2004, p.25.

Consequently, globalization should be kept in perspective. The world is only gradually returning to the degree of integration it enjoyed in 1914, prior to the restrictions spawned by world war and depression. The process is not 'inevitable' – governments put globalization into reverse for much of the twentieth century. But is the return to a global world economy a benign prospect?

A brief introduction to trade economics

The economic case for promoting international trade is principally found in the theory of exchange: where two parties have different initial resources and skills, there will *always* be *aggregate* benefit from each specializing in their relative competence and then trading the results. As Adam Smith explained:

What is prudence in the conduct of every family can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage.⁴

However, this is not the same as both parties gaining equally. The degree to which each benefits depends on the 'terms of trade' of the subsequent exchange (i.e. the relative prices of exports to imports). These can be skewed so that either party gains more from the trade. It is an empirical matter whether both parties gain from specialization and trade.

More importantly, there can also be 'dynamic' benefits from interacting with the wider world economy. If a country trades and gains access to technological innovations available elsewhere, these can then be applied domestically to produce further benefits and greater efficiency. For instance, by importing mobile telephony, many lower income countries have avoided constructing a costly landline network.

Examining the evidence

But are these potential gains delivered in practice? Light can be shed on the evidence by addressing a number of half-truths which have gained currency in the globalization debate.

1 Globalization means the world's poor become poorer. False. The *proportion* of the world's population living on \$1 a day⁵ has been falling continually since 1820. The *absolute* number of those in the direst poverty peaked in the early 1980s, is now below 1.1 billion and falling rapidly,⁶ principally due to the integration of China and India into the world economy. The remaining poor are concentrating in sub-Saharan Africa. There is no recent example of a country where rapid growth of income per head has not been accompanied by increasing integration in the global economy.

2 Increasing global trade leads to greater inequality within and between countries. The evidence is mixed. Population-weighted measures of world inequality have fallen since the early 1980s due to rapid growth in China, Indonesia and India. But global integration and change produce significant losers, both within and amongst countries. The absolute gap in incomes per head between the richest and poorest countries continues to increase because the poorest countries include 'failed' states cut off from the world economy. But overall life expectancy, infant mortality and calorific intake have converged more than incomes due to falling costs of food transportation and the spread of better crop varieties and growing techniques.

3 Global corporations are now more powerful than most governments. False – in terms of the oft-repeated claim⁷ that

4 Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Clarendon Press, 1976, p.457.

5 At 1985 purchasing power, which corrects for inflation and movements in exchange rates.

6 Projected to be 0.73 billion by 2015 (World Bank, *Global Economic Prospects*, 2004).

7 Anderson, S., and Cavanaugh, J., *Top 200: The Rise of Corporate Global Power*, Institute for Policy Studies, Washington DC, December 2000. The claim has become anti-globalization folklore.

companies now constitute over half the world's largest economies. When measured on a properly comparable, value-added basis, two multinationals come in the top 50 largest economies (with 29 in the top 100).⁸ Regulatory authorities can still discipline multinationals such as Shell and Microsoft. Unlike the East India Company of old, such corporations cannot coerce their customers by force and the ease of global communication makes multinationals vulnerable to their brands being tarnished by bad practice anywhere in the world (e.g. Arthur Andersen – Enron's auditor). If anything, the speed with which the largest companies grow and then decline is increasing as they struggle to remain competitive in an open global marketplace. By opening domestic markets up to international competition, globalization weakens the dominant position of existing producers and is thus welcome.

4 Indigenous cultures are being homogenised by Western marketing. True – but the wrong culprits are pilloried. The villains of this piece are supposedly the global brands that multinationals cultivate to make them globally recognisable.⁹ Yet the need of the largest multinationals to protect their images make such companies vulnerable to bad publicity. They show how weak, rather than powerful, such companies are – Coca-Cola was impotent to sell bottled tap water in the UK as *Darsani*. The real concerns are the amoral and materialistic messages that accompany Western advertising, music and television output that then reaches far wider audiences through global media networks. Rarely do these place the sanctity of life and the importance of healthy relationships ahead of short-term personal gratification.

5 Globalization harms the environment. False. National environmental protections are said to be undermined by the rulings of international trade bodies (such as the World Trade Organization – WTO) or multinationals who threaten to move to less restrictive jurisdictions. In fact, the evidence points in the opposite direction. Greater engagement with the world economy is usually associated with environmental gains (e.g. in air pollution). As societies become wealthier, they often choose to maintain higher environmental standards.¹⁰ This means that as countries engage with the global economy, their domestic pollution levels deteriorate initially but then improve as income per head rises. Nevertheless, there are a number of areas of environmental damage whereby pollution in one country affects its neighbours or the planet. Rather than setting blunt and ineffectual limits to control these spillovers (as in the Kyoto treaty), internationally tradeable rights to pollute need to be created and allocated. These would reinforce the incentive to innovate or change behaviour to reduce pollution. In this respect, we have too little globalization.

A biblical perspective on global interactions

Given this backdrop, does the Bible provide any insights into international interactions that can inform a Christian approach to the globalization debate?

The formation of the nations

The early biblical narrative describes the process whereby the descendants of Noah came to inhabit the earth¹¹. Genesis 10 states how separate nations arose in specific geographical locations after the Flood. The text indicates an orderly dispersal of peoples by their chosen geographical location and language (10:5f). However, this account is sharply juxtaposed with that of the Tower of Babel (chapter 11). The builders' reasons for constructing the Tower were to 'make a name' for themselves and explicitly to prevent their dispersion (v.4), in contravention of the Creation mandate to 'fill the earth' (1:28). God's decisive and divisive response in scrambling humanity's speech and scattering its loca-

8 Wolf (*op.cit.*), p.221f. A country's GDP should be compared against a company's value-added (roughly its underlying profitability), rather than its turnover.

9 Klein, N., *No Logo*, Flamingo, 2000.

10 Frankel, J.A., *The Environment and Globalization*, Cambridge, Mass., National Bureau of Economic Research, Working Paper 10090, November 2003.

11 Gen. 9:19. Studies of human DNA have confirmed the common genetic origins of all humanity.

tion (v.9) was explicitly designed to thwart self-centred and self-aggrandizing human achievement (v.6). The separation of humanity into language groups makes co-operation more difficult, so restraining our potential to unify for the purposes of evil.

Hence, despite a common ancestry, the formation of separate nations and people groups is not an accident of geography but a divinely-ordained outcome, designed to fulfil the creation mandate and weaken human self-reliance:

From one man he made every nation of men, that they should inhabit the whole earth; and he determined the times set for them and the exact places where they should live. God did this so that men would seek him...¹²

Israel and the surrounding nations

Having created separate peoples to restrain humanistic endeavour, God did not abandon the nations. Rather, blessing to all peoples came through the creation of a new nation via the Abrahamic line (Genesis 12:3), with the ultimate vision of the reunification of the nations in the worship of God.¹³ Israel was to be a 'kingdom of priests and a holy nation' (Exodus 19:5, 6) amongst all the others and was given the law, obedience to which would demonstrate to the nations the wisdom of God (Deuteronomy 4:6–8). What did that law teach about how economic dealings with the surrounding nations should be conducted?

An earlier paper described the economic model set out in the law.¹⁴ The law itself says little about how trade with non-Israelites was to be governed – undoubtedly the requirements for fair dealing and honest weights and measures still applied. The law instituted no barriers to trade, the state was given no right to levy import duties and the use of metallic currency facilitated trade. However, debts owed by foreigners ('*nokri*') were exempt from the statute requiring cancellation every seven years (Deuteronomy 15:3) and interest could be charged on these loans (23:20) in contrast to those to fellow countrymen.

The economic treatment of foreigners contrasts with that of those wishing to assimilate into Israelite society and worship God (the '*gerim*'). God commanded their equal treatment under the law and protection from economic exploitation.¹⁵ They enjoyed employment protection and their share of the harvest gleanings whilst their debts *were* to be periodically cancelled and could not bear interest. The law did not discriminate on grounds of blood – it protected those from outside, such as Ruth, wishing to join and contribute to the society – although freehold ownership of rural land was restricted to Israel's original families.

In Israelite history, international commerce is not described in detail until Solomon's reign. Solomon's trading activities begin profitably with commodities being exchanged for the timber of Lebanon to build the Temple and his palace. Peaceful relations resulted (1 Kings 5:12). But Solomon then exchanged infertile Israelite towns for gold, so provoking allegations of sharp practice (9:13). It is not long before Solomon's trading activities have provided him with horses and chariots (9:19) and the wherewithal to become a middleman in the international arms trade in chariots (10:29) – even though the king of Israel was forbidden to own stables of horses (Deuteronomy 17:16). Solomon's activities illustrate that international trade is neither inherently benign nor malign. It can be instrumental in furthering prosperity and peaceful relations. Conversely, when the wrong things are exchanged in unjust ways, relationships are damaged and evil ensues.

The New Testament perspective

In this context, the starkest claim of the New Testament is that, from the outset, the church is to be the first truly 'global' institu-

tion, comprising disciples representing every tribe, nation, language and people.¹⁶ The Persian Empire had respected the distinct religious traditions of its subject peoples. But the Christian community was the first to unite its adherents in their allegiance to Christ irrespective of their ethnicity, country of origin or tongue. The events of Pentecost constitute a reversal of Babel, with pilgrims from many nationalities and countries enabled to understand the testimony of Jesus' disciples in their own language (Acts 2:5, 6).

The people of God may retain their linguistic and national distinctiveness in this life – at Pentecost, the Spirit was manifest in numerous languages, rather than just one that all could understand – but the heavenly vision of the redeemed is of a people drawn from every nation, tribe, people and language, praising God with one voice. This remains the vision for the church. In the New Jerusalem, provision is made for the 'healing of the nations', which should be prefigured in the earthly church.¹⁷

Given this example, we can understand the natural human desire to see the subsuming of national political entities within transnational power structures. After all, this is God's intention for his people. But given the warning of Babel, this is an instance of the secular wish to bring heaven to earth – a case of over-realised eschatology. Supranational governance structures increase the potential for human self-aggrandizement and offer wider scope for the abuse of power. It is no coincidence that Babylon the Great, the symbol of worldly enticement and persecution, as epitomised by the Roman Empire, is also made up of 'peoples, multitudes, nations and languages'.¹⁸

Insights into globalization to inform Christian action

Globalization has stirred Christians into political action first through Jubilee 2000 and now through the Fair Trade Movement. Where does the preceding analysis lead us with regard to campaigning in favour of or against globalization?

Trade

When equitably conducted, trade should lead to mutual benefit, dependence and peaceful relationships between nations. God created neither individuals nor nations as completely self-sufficient. Raw materials and skills are not uniformly distributed. Being forced to depend on each other is an element of common grace, leading to the mutual blessing of mankind. The evidence of the reduction in absolute poverty through trade reinforces this conclusion.

Yet the attitude of many Christian commentators to global trade is avowedly hostile. For instance, Ulrich Duchrow¹⁹ and Timothy Gorringer see global capitalism as a mechanism for rich nations to exploit and immiserate the poor, having the moral equivalence of apartheid, nuclear war or the Holocaust. But these advocates ignore the far greater shortcomings of the alternative – that politicians or bureaucrats make self-serving and often corrupt decisions over what is produced and imported.

Nevertheless, Christian campaigners are right to focus upon instances where rich countries have hypocritically preached the benefits of free trade to low income countries whilst protecting domestic producers. If richer countries really believed in the benefits of free trade, then these immoral distortions would have been abolished long ago. Rather, richer countries have clung to mercantilist protectionism at home, so forcing lower income countries to concentrate on producing cash crops, such as coffee, leading to perpetual oversupply and falling world prices. At last, following agreement at Geneva in August 2003, the WTO's focus has shifted to reducing rich country agricultural tariffs and subsidies. The problem has been not too much truly free trade but too little.

12 Acts 17:26–27; see also Deut. 32:8.

13 Isa. 60:5–11; Zeph. 3:9.

14 P. S. Mills, 'The divine economy', *Cambridge Papers*, Vol.9 No.4, December 2000.

15 Especially Exod. 12:49; Lev. 19:33–34. See J. P. Burnside, *The Status and Welfare of Immigrants*, Cambridge: Jubilee Centre, January 2001.

16 See especially Matt. 28:19; Acts 2:4f; Rev. 5:9.

17 Rev. 7:9; 22:2.

18 Rev. 17:1, 15.

19 See P. Heslam, *Globalization: Unravelling the New Capitalism*, Grove Ethics, E125, 2002, pp.14–15.

Governance

Consistent with the biblical example of constrained and accountable government,²⁰ globalization is to be welcomed for eroding autocratic state power. Whilst not to be exaggerated,²¹ international engagement undermines authoritarianism through the freer flow of information, cultural exchange and tourists, and the requirements to respect property rights in order to attract foreign investment. It is generally repressive regimes (such as North Korea, Myanmar and Cuba) that seek to prevent contact with the outside world in order to maintain their power domestically.

But the principal concern is that globalization might be too effective at undermining state power. For the nation state has a legitimate function to punish evil and promote good and a valid need to raise taxes for these ends (Romans 13:1–7). But as information, people and capital become internationally more mobile and interrelated, the ability of the nation state to perform and finance its legitimate functions may be constrained. The temptation then is to advocate ever-greater international harmonization or governance as the panacea to every global problem.²² There are instances where the spillovers from one country to another are such that an internationally co-ordinated solution is optimal (e.g. pollution; nuclear proliferation). The danger is that globalization creates the perception that the nation state is irrelevant and dispensable as a political entity and that national autonomy must be relinquished to wider authorities, be they regional or global. Not only do such moves take the exercise of power further from the influence of democratic control but they concern the Christian mindful of Babel.²³ Mankind has been dispersed to restrain their capacity for self-aggrandizement.

Migration

Regarding the movement of people between nations, biblical law counsels in favour of welcoming those from outside wishing to assimilate into one's country. The test of entry should not be the migrant's economic usefulness to the host country but the genuineness of their desire to become a permanent citizen in the new society. That desire should be tested and, when found genuine, be marked with a definite rite of passage into the new community.²⁴ This approach contrasts with the hypocrisy applied through 'managed' migration. Rich countries cherry-pick the skilled workers of poorer countries, denuding them of the educated workforce needed to develop their economies and breaking up extended kinship networks. These policies strip poorer countries of their future prosperity. Better to export financial capital from rich countries (e.g. via pension fund investment) than to import the skilled workers needed far more at home.

20 E.g. Deut. 17:14–20; 1 Sam. 8.

21 The Chinese government still controls the content of Internet sites accessed domestically by its 1.2 billion people.

22 'Unfortunately, we have no world government, accountable to the people of every country, to oversee the globalization process...', Joseph Stiglitz, *Globalization and its Discontents*, Penguin Books, 2002, p.21. Christian Aid currently advocates a 'Global Regulatory Authority' to govern multinational corporations.

23 The growing dominance of English as the international language of choice in Eastern Europe and EU institutions prompted *The Economist* to speculate that the process will accelerate the political integration of the EU – 'After Babel, a new common tongue', *The Economist*, 7 August 2004, pp.33–34. 300 million Chinese are currently learning English.

24 See especially Nick Spencer, *Asylum and Immigration*, Paternoster Press, 2004, ch.7.

International finance

The debt slavery of lower income countries is more amenable to radical biblical prescription than is presumed. If followed, the biblical model of interest-free and cancellable debt on the one hand and equity finance on the other would remove the current confusion whereby development finance generally takes the form of interest-bearing debt.²⁵ This inevitably leads to waste and unsustainable debt burdens with no mechanism for sharing the risks and rewards of capital investment. The irony is that, from a biblical perspective, the Jubilee Debt Campaign is insufficiently radical in only arguing for the relief of current debts rather than a root-and-branch revolution in the international capital market.

Conclusion

The world has just enjoyed a decade when more people were lifted out of absolute poverty than at any time in history, principally as a result of greater engagement with the world economy by the large Asian nations. Yet this is not the impression one receives from the prophets of the anti-globalization movement, who give a distorted picture of the trends in global inequality and exaggerate the power of multinationals.

The welcome by-products of globalization – easier communication and transport links – also mean that transmission of the gospel message (through personal evangelism, radio, television or the Internet) is less costly and far more difficult to intercept. There is now no country without a Christian witness, 99 per cent of the world's population can be reached by Christian radio broadcasts and 94 per cent have a New Testament in their own language.²⁶ It was no coincidence that the rapid spread of the initial Christian message overlapped with the efficient transport links and freedom of movement within the Roman Empire. Christians can pray that the same is happening now, so fulfilling the requirement to preach the gospel 'to all nations' (Mark 13:10).

The Bible has much to say about the path we should wish the process of globalization to take. The potential for trade to benefit the poor is great but, too often, the rich do not play by the rules they insist that others respect. The facets of globalization that undermine autocratic state power and help transmit the gospel are to be welcomed, whilst Christians should be wary of attempts to ever-weaken the nation state as the appropriate and democratic level of legislative power.

But throughout our consideration of globalization we should always remember that the one true global community will one day be revealed as united in their worship of God (Revelation 7:9–10), whereas that based on the fortunes of the traders of the earth will be judged for its excess of luxury, arrogance and enslavement of the souls of men (Revelation 18:3, 11f). Ultimately, 'the merchants of the earth will weep and mourn...'

25 P. S. Mills, 'The biblical ban on interest: dead letter or radical solution?', *Cambridge Papers*, Vol.2, No.1, March 1993.

26 Johnstone, P., and Mandryk, J., *Operation World*, Paternoster, 2001, (6th ed.), p.7.

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