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Relativism intrudes in the poverty war

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FROM the activists of the Mobilisation Against Globalisation to the World Bank and the International Monetary Fund, they profess the same aim. The goal is to reduce poverty. Where they differ, it seems, is how to achieve it.

And so it is that the 'Son of Seattle (of last December)' spilled onto the streets of Washington this past week to the echoes of the Group of 77 meeting in Havana, Cuba.

It reminded me of a conference I attended at Deakin University, in Melbourne, three years ago, on labour rights and globalisation. It was organised by Deakin's Centre for Citizenship and Human Rights, and the Australian Council for Overseas Aid (AusAid).

It brought together people from government, business, trade unions, non-governmental organisations, and economists and political and social scientists.

Linked by video from the United States was the eminent elder economist John Kenneth Galbraith. So whatever differences between interests at the conference, one thing was clear. There was mutual interest in the neo-Keynesian principles expounded by Galbraith on state intervention in economic activity.

I got to talking to different people. What a mixed bag of bedfellows, I thought to myself.

There was Janet Hunt, head of AusAid. Over at the next tea table was a unionist whose outfit I decided would be incidental to my recall, having a yarn with a businessman engaged in international commerce.

Scott Burchill, lecturer in international relations at Deakin, represented one spectrum of the academic front. At the other was Radha D'Souza, from India, then reading for her PhD in Auckland University on the impact of international environmental agreements on peoples.

Time has moved on a bit since. Washington/Havana this past week had me thinking again. Most of us have the same ends in mind. Where we differ is over the means to that end.

The academic will suggest it's all about two words the political scientists fight over - absolutism and relativism.

Must we be Kantian in our absolute view of the world? Are we hypocrites when we see ourselves relative to changing times and circumstances; and change accordingly? No backbone, some people would say.

I am unashamedly relativist.

Which brings us to this battle over globalisation. Can you imagine the Global Pastry Uprising - pie-throwers from Boston - sharing the platform with Cuban President Fidel Castro? Or Prime Minister Datuk Seri Dr Mahathir Mohamad for that matter.

But there you have it; unlikely convergences of interests speaking up against different aspects of globalisation.

(Personally I would like to shove a pie in the face of the Global Pastry Uprising - and other anarchists - for trivialising the issue. But it's a free world.)

My biff is against some of those do-gooders protesting in the name of the poor. The World Bank and the IMF working to reduce poverty? The two Bretton Woods institutions are part of the problem, they argue. They must be torn down and the global financial system and free trade regime restructured.

Now we see why the G-77 may well find themselves on the same side of the police barricades in Washington as the anarchists.

Sounds noble, what the protesters are on about. Except for a few facts lost in the pushing and shoving.

I was reading an article in The New York Times the other day. There was a study by the consulting firm A.T. Kearney. Of the 34 developed and developing countries studied, the fastest globalising countries have fared better than those that have held back.

The same countries also enjoyed greater political freedom, more social spending, and received higher scores on the United Nations Human Development Index.

To my mind, there is no better indicator of longevity, literacy and standard of living than the UN index.

But there is a downside. "Rapid globalisers have witnessed a growing gap between rich and poor... rising corruption and higher levels of environmental pollution."

That bit on the downside is not new. That's an argument the activists against globalisation have been using all this while.

So how do we explain this, or can we? Or do we accept the downside and just be happy with the "trickling down" of the benefits?

Yes to the first question; there is an explanation. No to the second.

The first answer lies in economic theory that we will not go too much into. In essence, it has to do with the relativism of which I professed to being a proponent.

It has to do with the comparative advantage of cheap(er) labour in developing countries - extrapolated from the Heckscher-Ohlin theorem - and free trade between countries of low-skilled and high-skilled labour.

This is the "factor price equalisation theorem" developed by the Swedes Eli Heckscher and Bertil Ohlin early in the 20th century, and elaborated by the American Paul Samuelson.

Rising demand for labour in high-skilled and low-skilled economies brings about quite different results in wage gaps, according to the Heckscher-Ohlin theorem. There is no such thing as one size fits all.

In the globalisation debate, I will be suspicious of unionists (and NGOs for that matter) from high-skilled economies telling me how he is fighting for me, and how the two of us should avoid a "race to the bottom" in living standards.

Is s/he thinking of me, or protecting his/her job and (high) standard of living?

Not that I have anything against unions and NGOs. On the contrary. I only make the point that we ought to give due relativities to stages of development.

As Thomas Friedman of The New York Times put it: "There's nothing wrong with unions or owners protecting their interests - it's just when they do it in the name of helping the poor that it's contemptible."

Yes, the Kearney study says that with globalisation, the rich will get richer and the poor, poorer. But in East Asia, the gap between rich and poor in many countries has narrowed.

There will come a time when developing countries reach Vision 2020 level. When that happens, we are duty-bound to review how we do things, relative to the times.

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