Why Are the Fears of Globalization So High?

GLOBALIZATION IS MADE POSSIBLE by the new communication technologies that flow from advances in microelectronics, computers, and telecommunications. These technologies, along with leaps forward in man-made materials, robotics, and biotechnology, are destroying the old industrial-based national economies and replacing them with a new, knowledge-based global economy. Lester Thurow, Lemelson Professor of Management and Economics at MIT, notes that globalization was not started as a matter of public policy. Governments, for example, did not decide to start global sourcing and marketing. Yet he urges governments to help shape economic institutions, policies, and practices so that a better globalization can be built. In response to the voices of antiglobalization, Thurow maintains that countries that choose to opt out of the global economy are in effect deciding to remain poor. A better option, he says, is for countries to control their joint destiny by cooperating and actively choosing and managing the direction of globalization. Higher education leaders can play an important role in this effort.

A Global Superstructure

Economic historians tell us that the differences in per capita income between the wealthiest and the poorest countries in the world were small to nonexistent in 1700. In every country, 98 to 99 percent of the workforce was employed in farming, using virtually the same technologies. Half of the world’s gross domestic product (GDP) was inside India and China because half of the world’s population was inside India and China.
Then came the invention of the steam engine during the 18th century. With that, the first industrial revolution arrived and an agricultural era 8,000 years old came to an end. Some countries made the leap from agriculture to industry and others did not. Individuals and countries that moved with these technological forces became rich. Those that did not participate remained where they were and gradually became poorer relative to the industrialized countries.

In the late 19th century, a second industrial revolution based upon one key invention (electrification) and one key German idea (systematic investments in industrial research and development based upon academic science) again disrupted the economic system. Systematic industrial R&D speeded up the pace of technical change and its nature. Those who would be economic leaders had to invest in it. For the first time, a large educated workforce became central to economic success.

Again, some countries leapt into this second industrial revolution and others did not. Those who did not make the leap remained where they were, with per capita incomes similar to those that existed during feudal times. Starting from virtual equality in 1700, three hundred years later, in the year 2000, the gap in per capita GDP between the world’s richest and poorest country was approximately 140 to 1. Great inequality has replaced equality.

Looking forward, we can see that we now live in a period historians will call the third industrial revolution. First, a set of new technologies has emerged, shifting the world from an industrial era, in which wealth was based upon natural resources, into a knowledge-based era, in which wealth is built upon skills, education, and research and development. For the first time in human history, it is possible to be fabulously rich by controlling knowledge. Intellectual property rights have replaced mining rights as the drivers of success. The soft power of cultural, educational, and technological dominance has replaced the hard power of colonial rule and geographic military expansion. In a very real sense, intellectual conquest has replaced geographical conquest.

Second, emerging communication technologies make it possible to create a global economy—and perhaps mandate its construction. Businesses located anywhere can manage activities everywhere. National economies are slowly dissolving and being replaced by a global economy. Third, much of the world is throwing away its communist or socialist inheritance and moving toward capitalism.

Each of these shifts is changing the economic world in which we live. Many of the effects ascribed to globalization spring from the other two or from interactions among all three. In sum, a global superstructure is being built on a capitalistic substructure using new technologies.

As was true with the first two industrial revolutions, some countries will make the leap and some won’t. The 140-to-1 gap between the per capita GDP of the world’s richest and poorest countries will undoubtedly grow bigger if current trends are simply extrapolated forward. Participation in globalization differs enormously across countries. Based on a variety of measures such as political engagement in international organizations, use of international technologies such as the Internet, personal contacts through travel or telephone calls, and economic integration in terms of trade or investment, Ireland was rated the most globalized country in the world in 2004, and indeed has been at the top of Foreign Policy’s globalization index for the past three years. Singapore and Switzerland were second and third, respectively, on the 2004 list, and the United States was ranked seventh. For comparison’s sake, of the 62 countries on the list, in 2004 China and India were ranked number 57 and 61, respectively.¹

In the 1990s, countries participating in globalization were growing at more than 5 percent per year, whereas those not globalizing had falling per capita GDPs. As countries go up the index of globalization, there is a strong correlation with both higher wages and better management of the environment. But which is cause and which is effect? Does good performance lead to globalization, or does globalization lead to good performance?

Whether one believes that globalization is a “cause” of rising income inequality among countries is a matter of semantics. It is clearly not a cause in the sense that globalization lead to good performance?

Voices of Antiglobalization

Protestors against globalization often call for its end. Ending globalization presumably means imposing government barriers to lower or eliminate trade across national borders and capital flows between countries. If that were
to happen, the standard of living for the average family would fall by a small amount in big wealthy countries, by a large amount in small wealthy countries, and by a huge amount in the third world. Yet objectors to globalization often believe they are protecting the interests of third-world countries.

Antiglobalization feelings flow from a number of vantage points, as described below.

**Anti-American Objectors**
Public opinion polls show that large majorities of the world’s population, even in traditionally friendly countries, think the spread of American ideas and customs is a bad idea. Fifty percent think this is so in Britain, 58 percent in Italy, and 71 percent in France. Only Japan, at 35 percent, comes in with less than a majority viewing American ideas and customs negatively.²

Although American movies account for 70 percent of movies seen in Western Europe and have a more than 90 percent market share in many countries around the world, the movement of culture around the globe is not as one-way as many people think. The traditional American culture is not being exported to the rest of the world. Rather, a new global culture is being built; much of it is being built in America, but what is emerging is not a global copy of traditional American practices. World football (soccer), not American football, is a global game. Pokémon is enormously popular worldwide. Major Hollywood studios are owned by the French and the Japanese. Four of the world’s five largest music recording companies are not American-owned.

A UNESCO study of cultural exports (printed matter, music, visual arts, cinema and photography, games, and sporting goods) shows Japan with a net cultural trade surplus of $14.5 billion and the United States with a cultural trade deficit of $38 billion. Further, culture is not static but changes over time. Globalization may reduce variety, but it also widens choices in every country. Everyone can choose to embrace cultures that are not their traditional national cultures. This freedom of choice, part of American culture, is something Americans need not be defensive about.

**Objections to Global Government**
The need for global management and the fear of global government generate antiglobalization feelings. Realistically, economic globalization requires a degree of political globalization, yet there is no global government to start, lead, or regulate the process. International organizations such as the United Nations, the International Monetary Fund, the World Bank, and the World Trade Organization present a partial answer to the need for global management. These organizations, however, have been restricted by national governments to ensure that they do not become some form of quasi world government. For example, they can interpret rules national governments have agreed upon but they have no power to write new rules independently.

Today, there is no world government and so the United States plays the dominant role in globalization because it is by far the world’s largest economy and the globe’s dominant military power. This dominance leads to resentment and fuels anti-American sentiments, as Americans are viewed as getting too many of the gains from globalization. American higher education could help defuse this situation by contributing to the development of international organizations that effectively manage globalization and ultimately build a prosperous, fair, and inclusive global economy.

**Objections from the Left and the Right**
Antiglobalization is not a traditional left-right political split. Both sides juxtapose their understanding of the good society with the American variant—“cowboy capitalism” on the left and “mongrelization” on the right. Except for their dislike of globalization and what they see as the invasion of American culture, they agree on little else. On the far right, the fear is immigration and the threats it poses to national culture and ethnic homogeneity. Antiglobalizers see the nation to which they are attached, and with which they identify, slowly disappearing. As it does, they lose their sense of importance as people who are different and, perhaps, better than others. These fears are strongest in Europe, since the disappearance of traditional nation-states is happening rapidly with European political and economic integration.

From the left, the future predicted by today’s antiglobalization groups bears a remarkable resemblance to Marx’s predictions about the fate of capitalism 150 years ago. That is, that it causes so much economic inequality that eventually it will spark a general political revolt of the poor against the rich. By sheer force of numbers, the poor will seize power. Yet Marx and other critics of capitalism have been taken seriously, so much so that the system of capitalism effectively has been saved. A form of capitalism has been built—the social welfare state combined with active fiscal and monetary policies and free public education—that has limited the income inequali-
ties and economic instabilities inherent in capitalistic structures. The same can be done for globalization.

**Education and Knowledge In a Globalized Future**

We can construct a better globalization. A fundamental component of the necessary social structure to do so is a commitment to an educated society. Societies in which everyone is educated are more productive than those in which just a few are educated. My education pays off more for me if you are also educated. The whole is far more than the sum of the parts.

Half of human knowledge resides in female heads. To tap this potential, women must be given equal education and equal economic opportunities. Societies willing to do so are going to pull ahead of those that are unwilling. Even the success of male children seems to depend more upon the education of the mother than of the father. Much talk centers on the digital divide between the rich and the poor, but the real divide is educational. For a country to develop an educated and productive workforce, women must be educated and their talents fully utilized. Any country that does not take advantage of educated females will fall behind the leaders.

We can build a better global economy if we creatively apply the knowledge and technological advances that make it possible. Yet creativity is not something that occurs automatically; the conditions that foster creative and inventive environments must be socially organized. A necessary part of that social organization is a global system of intellectual property rights. The absence of such a system will slowly debilitate the economic health of a global knowledge-based economy, rendering it far less developed than it potentially could be. Advances in knowledge slow down as the incentives to invest in creating knowledge are undercut. Until we organize an enforceable system of intellectual property rights, we risk the effects of lagging creativity and energy.

Higher education excels at generating knowledge. But we must also be responsible for managing and using that knowledge. We need a chief knowledge officer, a CKO—someone who is knowledgeable about technology, economics, sociology, politics, and global affairs—who can lead investigations that will allow individuals, firms, institutions, and nations to better understand the path they will tread in the 21st century and, moreover, allow them to shape that path toward a better globalization.


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