

## High-Speed Globalization:

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*Abandoning Protectionism and Promoting Specialization*

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The greatest vice of modern humanity is not the problems we see but rather the ones we cannot. Poverty, disease, and social injustice can all be thwarted, but only with a change in the discipline of mankind. There is a movement in humanity in this day and age which we can blame, but to no avail. We cannot ask a change of heart from humanity. The very vice within the hearts of the wealthy denies such an opportunity. Apathy is that vice of western development. Joseph Schumpeter argued that capitalism will topple itself by its own success; wealthy capitalists will become risk adverse, refusing to innovate in order to maintain their comfortable lots in life.<sup>1</sup> The citizenry of the developed world certainly have found themselves comfortable and ultimately apathetic toward problems of those who are not. However, there is a competing natural capitalist movement that can solve this vice of humanity along with the visible problems of the developing world: globalization.

Whereas some people feel large amounts of monetary aid to developing countries is the only solution and others believe that massive armies of goodwill will cover the lands of the feeble with prosperity, I truly believe that the gradual, normal movement toward global free trade will develop markets.<sup>2</sup> If education is the silver bullet, economics is the golden ticket. Educate the masses and let the market run free.

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<sup>1</sup> Joseph Alois Schumpeter

<sup>2</sup> Thomas Robert Malthus' *Population Theory* states that population can grow no further than the level of production the earth allows which maintains that population at a subsistence level. Within this theory, Malthus' argues that providing monetary aid to the impoverished will only create a false sense of sustainable subsistence living, leading to an increase in the population of those in poverty. Sole monetary aid could further the problem. However, to assume the world has maxed out the level of production is absurd. The problem is not a lack of food, but the solution is not a simple redistribution.

The reach of the PeaceCorps, UNDP, World Bank, WorldVision, and one hundred other organizations is only so great. The movement of poverty alleviation is a modest one at best. An army of virtuous volunteers, even armed with weapons of wealth is no match for the imbedded social stigmata of the haves against the have nots. The true

Education is an understanding of what works. We are taught right from wrong, success from failure, diligence from sloth. All else is a set of liberal beliefs in which emotion, justification, and gratification derive. Assuming humanity is rational and self-protecting, education can appeal to all but compassion only to a few. Therefore, the world will not accept globalization upon the merits of social benefits, but rather the idea that it works. A free world market is what's next; it is the next great exploration of humanity. It brings with it greatness, like the feeling of conquering K2 or landing on the moon. The fact that equity, poverty alleviation, gender equality, and health for the world over all improve is merely a corollary. When all of the world is better off, we are all better off; but to those already well off, we can just tell them they will be better off. Why appeal to the hearts of the developed nations through the stomachs of the poor when you can just appeal directly to their own stomachs.

Globalization will work. Arguments can be made that the current situation is derived from capitalism, which at times in history has led to colonialism, slavery, and other forms of inequity. But current capitalism is not true capitalism. Developed nations still protect their domestic economies as if they were more fragile than the brittle bones of a malnourished child in Africa. Unions lobby for protectionist laws that establish tariffs and hinder outsourcing. Mergers and acquisitions ensure that multi-national corporations exploit the resources of the meager and expand the power of the affluent. This is non-liberal capitalism, Keynesian

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problem is aggregate inequity and the only long term solution is the natural course of a free world market. The only means of accomplishing such globalization lies in education. Those who are comfortable must commit themselves to world development, despite the possible pains, in the hopes of future bliss. We cannot ask for a change of heart from humanity.

The modern market is still young. In fact, humanity has yet to experience a truly global, truly free market where resources, currency, goods, services, investment, and savings have no boundaries. Schumpeter applauded capitalism because it encourages entrepreneurship. The very idea of hard work is the foundation of capitalism's success. Give the people of this globe a truly free world market, and in the long run, hard work shall pay off.

capitalism. It, too, has worked; but only for the comfortable few. Pure, unadulterated capitalism can work for all.<sup>3</sup>

No statistics can prove the potential performance of pure capitalism because the system of the past is evolving into the system of the future. The performance of the past is an indicator of the past and not a predictor of the future.<sup>4</sup> There is so much more potential in pure capitalism. Globalization has proceeded for quite some time, beginning with the simple barter of goods between local markets. Today, globalization is responsible for massive global trade, foreign direct investment, and the beginnings of specialization. Tomorrow, globalization will break down the barriers of protectionism, finally allowing the free flow of investment, goods, and services. Of course, the benefit derives from specialization built upon the concept of comparative advantage.<sup>5</sup> Developing nations need to do just that; in theory, development begins by evolving a subsistence agricultural economy into an exporting agricultural economy. The profits of utilizing natural resources eventually rise to industrialization. As wealth builds over the long run, investments grow and the local economy matures. The key is when a country finds the good or service in which it holds a comparative advantage, that is, what it is good at doing. This becomes their invitation to the party that is free world trade.

The progression of globalization is a natural movement that is virtually unstoppable. The solution is set, it could be argued. But left to its own devices, globalization will take much too

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<sup>3</sup> It should be noted that a truly free world market is only possible because of modern capitalism. We should not hate on the fat cats of capitalism just yet; it will be upon the backs of the developed nations in which we will accomplish global prosperity. Globalization is like the youthful maturity of humanity, it comes with great reward only through growing pains.

<sup>4</sup> I, quite obviously, believe that long run globalization is the solution the assignment of this position paper seeks. Such a broad economic concept is difficult to talk about in specifics and details. The lack of statistical evidence and concrete examples is a result.

<sup>5</sup> David Ricardo established the concept of comparative advantage, which explains that a local economy should specialize in a product or service which has a lower opportunity cost for them to produce versus the opportunity cost their trade partners would incur if they were to produce such a product or service.

long. Pure capitalism must be committed to by developed nations.<sup>6</sup> The difficulty lies in the fact that abandoning protectionism intensifies the effects of the growing pains of globalization. The natural rate of globalization spreads the unpleasantness of adjustment toward a free world market over the long run.<sup>7</sup> However, the focus must be on the result.

Education is the only way to lead the developed world to act. Once the community of the wealthy understands the long run benefits, especially those benefits they will experience, the more likely that policy will be enacted to negate protectionism and promote specialization. Development agencies should engage in information campaigns toward the populations already benefiting from capitalism. Developing nations, fat from their success, already believe in capitalism; hopefully they will embrace the idea of taking it to the extreme and establishing pure capitalism within a free world market. Placing emphasis on betterment for all is crucial however the fact that inequity will diminish is not attractive to those at the top of the spectrum. Poverty alleviation always falls easy upon the ears of humanity, however, so that can be chalked up as a convenient externality. The point is that we can use the greed and comfort of the developed world to overcome their apathy.

Development belongs to all of humanity. There is no reason that humanity cannot improve together. Adjustment is inevitable, but ultimately we can all be better off. It all begins with understanding that simple truth.

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<sup>6</sup> Development agencies such as the World Bank, the UNDP, the IMF, and a multitude of other organizations must help immediate problems such as the spread of disease and starvation. Inequity and all of the troubles that follow call for an indirect approach; development agencies must pressure developed nations to give up protectionism and allow for specialization.

<sup>7</sup> The argument to be made, however, is that the more intense the discomfort of adjusting to a free world market is, the less time it will take. The sooner the developed world is willing to embrace the adjustment, the sooner they can reap the true benefits. This will require a common understanding among the developed community.

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