much of the formerly communist world. Globalization has taken from poor
countries control of their own economic policies and concentrated their assets
in the hands of first world investors. While it has enriched some third world
elites, it has subordinated them to foreign corporations, international institu­
tions, and dominant states. It has intensified economic rivalry among the rich
powers.6

Movement of people: While people have always crossed national bor­
ders, the economic disruptions and reduction of national barriers caused by
globalization are accelerating migration. International travel and tourism have
become huge industries in their own right.

Cultural homogenization: Globalization has undermined the economic
base of diverse local and indigenous communities all over the world. Growing
domination of global media by a few countries and companies has led not to
greater diversity, but to an increasingly uniform culture of corporate globalism.

As New York Times columnist and globalization advocate Thomas
Friedman summed up, we are in a new international system: “Globalization is
not just a trend, not just a phenomenon, not just an economic fad. It is the
international system that has replaced the cold-war system.” The driving force
behind globalization is free-market capitalism: “Globalization means the spread
of free-market capitalism to virtually every country in the world.”7

THE CONTRADICTIONS
OF GLOBALIZATION FROM ABOVE

The proponents of globalization promised that it would benefit all: that it
would “raise all the boats.” Workers and communities around the globe were
told that if they downsized, deregulated, eliminated social services, and gener­
ally became more competitive, the benefits of globalization would bless them.
The poorest and most desperate were promised that they would see their stan­

dard of living increase if they accepted neoliberal austerity measures. They
kept their end of the bargain, but globalization from above did not reciprocate.
Instead, it is aggravating old and creating new problems for people and the
environment.

Even conventional economic theory recognizes that the “hidden hand”
of the market doesn’t always work. Unregulated markets regularly produce
intended side effects or “externalities”—such as ecological pollution for
which the producer doesn’t have to pay, or the devastation of communities
when corporations move away. Unregulated markets also produce unin­
tended interaction effects, such as the downward spirals of depressions and
trade wars. Unregulated markets do nothing to correct inequalities of wealth;
indeed, they often intensify the concentration of wealth, leading to expand­
ing gaps between rich and poor.8 Globalization from above has globalized
these problems, while dismantling at every level the non-market institutions
that once addressed them.
Globalization promotes a destructive competition in which workers, communities, and entire countries are forced to cut labor, social, and environmental costs to attract mobile capital. When many countries each do so, the result is a disastrous "race to the bottom."

The race to the bottom occurs not just between developing and developed worlds, but increasingly among the countries of the third world. Consider the case of Argentina and Brazil. Early in 1999, Brazil devalued its currency by 40 percent. A New York Times reporter in Argentina found that "[a]bout 60 manufacturing companies have moved to Brazil in recent months, seeking lower labor costs and offers of tax breaks and other government subsidies." Companies closing Argentine factories to supply the Argentine market from Brazil included Tupperware, Goodyear, and Royal Philips Electronics. The Argentine auto and auto-parts industries suffered a 33 percent loss of production and a 59 percent fall in exports in 1999. "General Motors, Ford Motor and Fiat are all transferring production to Brazil."

Argentine President Fernando De la Rua commented, "If you ask me what is my chief concern in a word, that word is 'competitiveness.' " The measures he has taken to become more "competitive" exemplify the race to the bottom. "The crown jewel of the De la Rua economic policy is his labor reform intended to "reduce the bargaining power of labor unions and help businesses more easily hire and fire new workers."

But this gutting of labor rights was not enough to protect Argentine manufacturers against products from lower-wage countries. A shoe manufacturer who expected the new labor law to cut his labor costs by 10 percent "felt constrained because of the competitive disadvantage he continued to suffer in relation to Brazilian shoe producers who pay their workers one-third the wage an Argentine shoemaker earns." The director of a medical supply company who was considering closing his plant observed that it was impossible to compete with the flood of cheap Korean and Chinese syringes in recent years and that Brazilian officials were offering a package of tax breaks and subsidized loans to relocate to Brazil.

The role of international institutions in promoting the race to the bottom is illustrated by the fact that both Brazil and Argentina were shaping their economic policies in accord with loan agreements they had made with the IMF.

First world countries are also engaged in the race to the bottom. Over the past two decades, for example, the United States made huge cuts in corporate taxes while slashing federal funding for health, education, and community development. Canada, which did not make equivalent cuts, found that its tax structure was "making it difficult for companies to compete internationally. Many businesses have simply moved across the border to the U.S." In response, Canada decided in early 2000 to lower its corporate tax rate from 28 percent to 21 percent. In a fit of ingratitude, the Business Council on National Issues, representing Canada's 150 largest companies, condemned the cuts as "timid." The Business Council's president opined that "[t]he strategy should be to provide an environment more attractive than the U.S. now." The disappointed chief executive of an e-commerce services company said he had been planning to open...
offices in Calgary, Alberta, and Vancouver, British Columbia, but that after the inadequate tax cuts he was leaning toward Chicago or Minneapolis instead. The director of the Canadian Taxpayers Federation observed, "There's competition for tax cuts, just like everything else."

The race to the bottom brings with it the dubious blessings of impoverishment, growing inequality, economic volatility, the degradation of democracy, and destruction of the environment.

**Impoverishment:** The past quarter-century of globalization has seen not a reduction but a vast increase in poverty. According to the 1999 U.N. *Human Development Report*, more than 80 countries have per capita incomes lower than they were a decade or more ago.10 James Wolfensohn, president of the World Bank, says that, rather than improving, "global poverty is getting worse. Some 1.2 billion people now live in extreme poverty."11 Global unemployment is approaching 1 billion.12

In the United States, the downward pressures of globalization are manifested in the stagnation of wages despite the longest period of economic growth in American history. Real average wages were $9 per hour in 1973; 25 years later, they were $8 per hour. The typical married-couple family worked 247 more hours per year in 1996 than in 1989—more than six weeks' worth of additional work each year.13

**Inequality:** Globalization has contributed to an enormous increase in the concentration of wealth and the growth of poverty both within countries and worldwide. Four hundred and forty-seven billionaires have wealth greater than the income of the poorest half of humanity. In the United States, the richest man has wealth equal to that of the poorest 40 percent of the American people.13 The net worth of the world's 200 richest people increased from $440 billion to more than $1 trillion in just the four years from 1994 to 1998. The assets of the three richest people were more than the combined GNP of the 48 least developed countries.16

The downward pressures of globalization have been focused most intensively on discriminated-against groups that have the least power to resist, including women, racial and ethnic minorities, and indigenous peoples. Women have been the prime victims of exploitation in export industries and have suffered the brunt of cutbacks in public services and support for basic needs. Immigrants and racial and ethnic minorities in many parts of the world have not only been subject to exploitation, but have been abused as scapegoats for the economic troubles caused by globalization from above. Indigenous people have had their traditional ways of life disrupted and their economic resources plundered by global corporations and governments doing their bidding.

**Volatility:** Global financial deregulation has reduced barriers to the international flow of capital. More than $1.5 trillion now flows across international borders daily in the foreign currency market alone. These huge flows easily swamp national economies. The result is a world economy marked by dangerous and disruptive financial volatility.

In 1998, for example, an apparently local crisis in Thailand rapidly spread around the globe. In two years, Malaysia's economy shrunk by 25 percent, South