COMMENT

Of Globalisation and Compensation

MOST ECONOMISTS HOLD THAT globalisation is beneficial for all stakeholders just a trade between two persons is beneficial for both. The argument is basically correct if globalisation is all encompassing and permits free movement of labour from one country to another. In that case a person living in an area bereft of any comparative advantage can migrate to another area and make a living. But this argument fails when free movement of labour is prohibited. It is possible that some countries may not have comparative advantage in any sector. In that case globalisation becomes a loss proposition for them. They can get cheap imported products produced at lower cost that are produced in more efficient countries but they do not have income to buy those goods. All the farms and factories in Timbuktu can be closed because the cost of production is high according to global standards and the people of that country be left to rot within their borders. Gandhiji promoted the production of Khadi even though the cost of production was higher than machine-made cloth imported from Manchester. Gandhiji rejected cheap goods because they came with British control of Indian economy. It was better, he said, for India to produce expensive Khadi than buy cheap imported cloth. Similarly free trade is harmful for the village potter. Availability of cheap aluminium and plastic pots has taken away his livelihood. The women indeed have to carry less load but the potter has no sales anymore. It is better for the potter that women continue to buy his earthen pots so that he can make a living. It is clear that free trade or globalisation is not beneficial for every stakeholder. Some stand to lose. The same holds for countries. Some African countries may not have the capacity to compete with Indian software and Chinese textiles. Their software companies and textile factories will close down if they embrace globalisation. They may not even be able to compete with cheap agricultural produce of other countries such as Australian wheat, Indian tea and Brazilian sugar. It is possible they may not have competitive advantage in any commodity. Globalisation for them would mean that their factories and farms would close down since their cost of production is high. Their people will have to accept lower wages to reduce their cost of production and to compete with cheap imported goods. They would be better off remaining a protected economy where high-cost production of wheat and textiles can go on behind protectionist barriers.

This problem does not arise if free movement of natural persons is allowed. In that case the people of Timbuktu would migrate to India or China and work in the efficient factories in those countries. But present model of globalisation does not permit this. The people of Timbuktu are hemmed-in within their national borders while cheap imported goods are allowed free entry. The result is lower wages and starvation since they have no means available to make their livelihoods.

Professor Joseph Stiglitz of Columbia University accepts that globali-sation need not be a win-win situation for all the players. He acknowledges that there will be some losers. But he says that globalisation can still be beneficial for all if those benefiting from globalisation are willing to compensate the losers. Free trade in textiles could be beneficial for India if the textile mills of Manchester were willing to compensate the weavers of India for the loss of their livelihoods. The situation is similar to the people living in the submergence areas of dams. They lose their lands. But the same dam becomes beneficial for them if they are given adequate compensation. Similarly globalisation can become beneficial for all players if the winners are willing to compensate the losers, says Stiglitz.

The problem is that first globali-sation will have to be rejected in order to get such compensation. Ex-perience suggests that people in submergence areas get compensation only when they oppose the dams. Gandhiji could have asked the textile mills of Manchester to provide compensation to the Indian weavers. But in order to demand such compensation he would have to first organise Indian weavers and oppose imports of Manchester cloth. Gandhiji could not have demanded such compensation if he had agreed to free trade as envisaged under the WTO. The present model of globalisation prohibits such resistance to imports. Thus the very basis of organising the losers to demand compensation is eliminated. Globalisation has to be first negated for globalisation to work. ✍✍✍

[Contributed]