CHAPTER 12

Trade and Globalization:

The good news about Asian sweatshops

Imagine a spectacular invention: a machine that can convert corn into stereo equipment. When running at full capacity, this machine can turn fifty bushels of corn into a DVD player. Or with one switch of the dial, it will convert fifteen hundred bushels of soybeans into a four-door sedan. But this machine is even more versatile than that; when properly programmed, it can turn Windows software into the finest French wines. Or a Boeing 777 into enough fresh fruits and vegetables to feed a city for months. Indeed, the most amazing thing about this invention is that it can be set up anywhere in the world and programmed to turn whatever is grown or produced there into things that are usually much harder to come by.

Remarkably, it works for poor countries, too. Developing nations can put the things they manage to produce—commodities, cheap textiles, basic manufactured goods—into the machine and obtain goods that might otherwise be denied them: food, medicine, more advanced manufactured goods. Obviously, poor countries that have access to this machine would grow faster than countries that did not. We would expect that making this machine accessible to poor countries would be part of our strategy for lifting billions of people around the globe out of dire poverty.

Amazingly, this invention already exists. It is called trade.

If I write books for a living and use my income to buy a car made in Detroit, there is nothing particularly controversial about the transaction. It makes me better off, and it makes the car company better off, too. That's Chapter 1 kind of stuff. A modern economy is built on trade. We pay others to do or make things that we can't—everything from manufacturing a car to removing an appendix. As significant, we pay people to do all kinds of things that we could do but choose not to, usually because we have something better to do with our time. We pay others to brew coffee, make sandwiches, change the oil, clean the house, even walk the dog. Starbucks was not built on any great technological breakthrough. The company simply recognized that busy people will regularly pay several dollars for a cup of coffee rather than make their own or drink the lousy stuff that has been sitting around the office for six hours.

The easiest way to appreciate the gains from trade is to imagine life without it. You would wake up early in a small, drafty house that you had built yourself. You would put on clothes that you wove yourself after shearing the two sheep that graze in your backyard. Then you would pluck a few coffee beans off the scraggly tree that does not grow particularly well in Minneapolis—all the while hoping that your chicken had laid an egg overnight so that you might have something to eat for breakfast. The bottom line is that our standard of living is high because we are able to focus on the tasks that we do best and trade for everything else.

Why would these kinds of transactions be different if a product or service originated in Germany or India? They're not, really. We've crossed a political boundary, but the economics have not changed in any significant way. Individuals and firms do business with one another because it makes them both better off. That is true for a worker at a Nike factory in Vietnam, an autoworker in Detroit, a Frenchman eating a McDonald's hamburger in Bordeaux, or an American drinking a fine Burgundy in Chicago. Any rational discussion of trade must begin with the idea that people in Chad or Togo or South Korea are no different from you or me; they do things that they hope will make their lives better. Trade is one of those things. Paul Krugman has noted, "You could say—and I would—that globalization, driven not by human goodness but by the profit motive, has done far more good for far more people than all the foreign aid and soft loans ever provided by well-intentioned governments and international agencies." Then he adds wistfully, "But in saying this, I know from experience that I have guaranteed myself a barrage of hate mail."[1]

Such is the nature of "globalization," the term that has come to represent the increase in the international flow of goods and services. Americans and most others on the planet are more likely than ever to buy goods or services from another nation and to sell goods and services abroad in return. In the late 1980s, I was traveling through Asia while writing a series of articles for a daily newspaper in New Hampshire. In a relatively remote part of Bali, I was so surprised to find a Kentucky Fried Chicken that I wrote a story about it. "Colonel Sanders has succeeded in putting fast-food restaurants in the most remote areas of the world," I wrote. Had I realized that the idea of "cultural homogenization" would become a flashpoint for civil unrest a decade later, I might have become rich and famous as one of the earliest commentators on globalization. Instead, I merely noted, "In this relatively undisturbed environment, Kentucky Fried Chicken seems out of place."[2]

That KFC restaurant was more than the curiosity that I made it out to be. It was a tangible sign of what the statistics clearly show: The world is growing more economically interdependent. The world's exports as a share of global GDP have climbed from 8 percent in 1950 to around 25 percent today.[3] U.S. exports as a fraction of GDP grew from 5 percent to nearly 10 percent over the same stretch. It is worth noting that the bulk of the American economy still consists of goods and services produced for domestic consumption. At the same time, because of the sheer size of that economy, America is one of the world's largest exporters, behind only China and Germany in total

value. The United States has much to gain from an open, international trading system. Then again, so does the rest of the world.

Having made that case in many different venues, now I get hate mail, too. Sometimes it's actually kind of clever. My favorite is an e-mail that came in response to a column arguing that a richer, rapidly growing India is good for the United States. After the usual introduction arguing that my job should be outsourced to some low wage country as soon as possible, the e-mail concluded, "Why don't you and Tom Friedman [author of the pro-globalization book *The World Is Flat*] get a room together? The world isn't flat, it's just your head!" Others tend to be less subtle, such as the e-mail with the subject line: YOU SUCK!!!!!!!!!!!!!!!!!!!!!!! (Yes, that is the exact number of exclamation points.)

All those exclamation points notwithstanding, nearly all theory and evidence suggest that the benefits of international trade far exceed the costs. The topic is worthy of an entire book; some good ones wade into everything from the administrative structure of the WTO to the fate of sea turtles caught in shrimp nets. Yet the basic ideas underlying the costs and benefits of globalization are simple and straightforward. Indeed, no modern issue has elicited so much sloppy thinking. The case for international trade is built on the most basic ideas in economics.

Trade makes us richer. Trade has the distinction of being one of the most important ideas in economics and also one of the least intuitive. Abraham Lincoln was once advised to buy cheap iron rails from Britain to finish the transcontinental railroad. He replied, "It seems to me that if we buy the rails from England, then we've got the rails and they've got the money. But if we build the rails here, we've got our rails and we've got our money."[4] To understand the benefits of trade, we must find the fallacy in Mr. Lincoln's economics. Let me paraphrase his point and see if the logical flaw becomes clear: If I buy meat from the butcher, then I get the meat and he gets my money. But if I raise a cow in my backyard for three years and slaughter it myself, then I've got the meat and I've got my money. Why don't I keep a cow in my backyard? Because it would be a tremendous waste of time—time that I could have used to do something else far more productive. *We trade with others because it frees up time and resources to do things that we are better at.*

Saudi Arabia can produce oil more cheaply than the United States can. In turn, the United States can produce corn and soybeans more cheaply than Saudi Arabia. The corn-for-oil trade is an example of absolute advantage. When different countries are better at producing different things, they can both consume more by specializing at what they do best and then trading. People in Seattle should not grow their own rice. Instead, they should build airplanes (Boeing), write software (Microsoft), and sell books (Amazon)—and leave the rice-growing to farmers in Thailand or Indonesia. Meanwhile, those farmers can enjoy the benefits of Microsoft Word even though they do not have the technology or skills necessary to produce such software. Countries, like individuals, have different natural advantages. It does not make any more sense for Saudi Arabia to grow vegetables that it does for Tiger Woods to do his own auto repairs.

Okay, but what about countries that don't do anything particularly well? After all, countries are poor because they are not productive. What can Bangladesh offer to the United States? A great deal, it turns out, because of a concept called comparative advantage. Workers in Bangladesh do not have to be better than American workers at producing anything for there to be gains from trade. Rather, they provide goods to us so that we can spend our time specializing at whatever we do best. Here is an example. Many engineers live in Seattle. These men and women have doctorates in mechanical engineering and probably know more about manufacturing shoes and shirts than nearly anyone in Bangladesh. So why would we buy imported shirts and shoes made by poorly educated workers in Bangladesh? Because our Seattle engineers also know how to design and manufacture commercial airplanes. Indeed, that is what they do *best*, meaning that making jets creates the most value for their time. Importing shirts from Bangladesh frees them up to do this, and the world is better off for it.

Productivity is what makes us rich. Specialization is what makes us productive. Trade allows us to specialize. Our Seattle engineers are more productive at making planes than they are at sewing shirts; *and* the textile workers in Bangladesh are more productive at making shirts and shoes than they are at whatever else they might do (or else they would not be willing to work in a textile factory). I am writing at the moment. My wife is running a software consulting firm. A wonderful woman named Clementine is looking after our children. We do not employ Clemen because she is better than we are at raising our children (though there are moments when I believe that to be true). We employ Clemen because she enables us to work during the day at the jobs we do well, and that is the best possible arrangement for our family—not to mention for Clemen, for the readers of this book, and for my wife's clients.

Trade makes the most efficient use of the world's scarce resources.

Trade creates losers. If trade transports the benefits of competition to the far corners of the earth, then the wreckage of creative destruction cannot be far behind. Try explaining the benefits of globalization to shoe workers in Maine who have lost jobs because their plant moved to Vietnam. (Remember, I was the speechwriter for the governor of Maine; *I have tried to explain that.*) Trade, like technology, can destroy jobs, particularly low-skilled jobs. If a worker in Maine earns $14 an hour for something that can be done in Vietnam for $1 an hour, then he had better be 14 times as productive. If not, a profit-maximizing firm will choose Vietnam. Poor countries lose jobs, too. Industries that have been shielded from international competition for decades, and have therefore adopted all the bad habits that come from not having to compete, can be crushed by ruthlessly efficient competition from abroad. How would you like to have been the producer of Thumbs-Up Cola in India when Coca-Cola entered the market in 1994?

In the long run, trade facilitates growth and a growing economy can absorb displaced workers. Exports rise and consumers are made richer by cheap imports; both of those things create demand for new workers elsewhere in the economy. Trade-related job losses in America tend to be small relative to the economy's capacity to produce new jobs. One post-NAFTA study concluded that an average of 37,000 jobs per year were lost from 1990 to 1997 because of free trade with Mexico, while over the same period the economy was creating 200,000 jobs per month.[5] Still, "in the long run" is one of those heartless phrases—along with "transition costs" or "short-term displacement"—that overly minimize the human pain and disruption.

Maine shoe workers are expected to pay their mortgages *in the short run.* The sad reality is that they may not be better off in the long run, either. Displaced workers often have a skills problem. (Far more workers are made redundant by new technology than by trade.) If an industry is concentrated in a geographic area, as they often are, laid-off workers may watch their communities and way of life fade away.

The *New York Times* documented the case of Newton Falls, a community in upstate New York that grew up around a paper mill that opened in 1894. A century later, that mill closed, in part because of growing foreign competition. It's not pretty:

> Since October—after a last-ditch effort to save the mill fell through—Newton Falls has edged closer to becoming a case study of doleful rural sociology: a dying town, where the few people left give mournful testament to having their community wind down like an untended clock, ticking inexorably toward a final tock.[6]

Yes, the economic gains from trade outweigh the losses, but the winners rarely write checks to the losers. And the losers often lose badly. What consolation is it to a Maine shoe worker that trade with Vietnam will make the country as a whole richer? *He's poorer and probably always will be.* I've gotten those e-mails, too.

Indeed, we're back to the same discussion about capitalism that we had at the beginning of the book and again in Chapter 8. Markets create a new, more efficient order by destroying the old one. There

is nothing pleasant about that, particularly for individuals and firms equipped for the old order. International trade makes markets bigger, more competitive, and more disruptive. Mark Twain anticipated the fundamental dilemma: "I'm all for progress; it's change I don't like."

Marvin Zonis, an international consultant and a University of Chicago Booth School of Business professor, has called the potential benefits of globalization "immense," particularly for the poorest of the poor. He has also noted, "Globalization disrupts everything, everywhere. It disrupts established patterns of life—between husband and wife, parents and children; between men and women, young and old; between boss and worker, governor and governed."[7] We can do things to soften those blows. We can retrain or even relocate workers. We can provide development assistance to communities harmed by the loss of a major industry. We can ensure that our schools teach the kinds of skills that make workers adaptable to whatever the economy may throw at them. In short, we can make sure that the winners do write checks (if indirectly) to the losers, sharing at least part of their gains. It's good politics and it's the right thing to do.

Kenneth Scheve, a Yale political science professor, and Matthew Slaughter, an economist at the Tuck School of Business at Dartmouth, wrote a provocative piece in *Foreign Affairs* arguing that the United States should adopt a "fundamentally more progressive federal tax system" (e.g., tax the rich more) as the best way of saving globalization from a protectionist backlash. What's interesting is that these guys are not left-wing radicals wearing tie-dye shirts; Matt Slaughter served in the George W. Bush administration. Rather, they argue that the huge benefits for the U.S. economy as a whole are being put at risk by the fact that too many Americans aren't seeing their paychecks get bigger. Scheve and Slaughter explain:

> [U.S.] policy is becoming more protectionist because the public is becoming more protectionist, and the public is becoming more protectionist because incomes are stagnating or falling. The integration

> of the world economy has boosted productivity and wealth creation in the United States and much of the rest of the world. But within many countries, and certainly within the United States, the benefits of this integration have been unevenly distributed—and this fact is increasingly being recognized. Individuals are asking themselves, "Is globalization good for me?" and, in a growing number of cases, arriving at the conclusion that it is not.

The authors propose "a New Deal for globalization—one that links engagement with the world economy to a substantial redistribution of income." Remember, this isn't hippy talk. These are the capitalists who see angry workers with pitchforks loitering outside the gates of a very profitable factory, and they are making a very pragmatic calculation: Throw these people some food (and maybe some movie tickets and beer) before we all end up worse off.[8]

Protectionism saves jobs in the short run and slows economic growth in the long run. We can save the jobs of those Maine shoe workers. We can protect places like Newton Falls. We can make the steel mills in Gary, Indiana, profitable. We need only get rid of their foreign competition. We can erect trade barriers that stop the creative destruction at the border. So why don't we? The benefits of protectionism are obvious; we can point to the jobs that will be saved. Alas, the costs of protectionism are more subtle; it is difficult to point to jobs that are never created or higher incomes that are never earned.

To understand the costs of trade barriers, let's ponder a strange question: Would the United States be better off if we were to forbid trade across the Mississippi River? The logic of protectionism suggests that we would. For those of us on the east side of the Mississippi, new jobs would be created, since we would no longer have access to things like Boeing airplanes or Northern California wines. *But nearly every skilled worker east of the Mississippi is already working, and we are doing things that we are better at than making airplanes or wine.*

Meanwhile, workers in the West, who are now very good at making airplanes or wine, would have to quit their jobs in order to make the goods normally produced in the East. They would not be as good at those jobs as the people who are doing them now. Preventing trade across the Mississippi would turn the specialization clock backward. We would be denied superior products and forced to do jobs that we're not particularly good at. In short, we would be poorer because we would be collectively less productive. This is why economists favor trade not just across the Mississippi, but also across the Atlantic and the Pacific. Global trade turns the specialization clock forward; protectionism stops that from happening.

America punishes rogue nations by imposing economic sanctions. In the case of severe sanctions, we forbid nearly all imports and exports. A recent *New York Times* article commented on the devastating impact of sanctions in Gaza. Since Hamas came to power and refused to renounce violence, Israel has limited what can go in and out of the territory, leaving Gaza "almost entirely shut off from normal trade and travel with the world." Prior to the Iraq War, our (unsuccessful) sanctions on Iraq were responsible for the deaths of somewhere between 100,000 and 500,000 children, depending on whom you believe.[9] More recently, the United Nations has imposed several rounds of increasingly harsh sanctions on Iran for not suspending its clandestine nuclear program. The *Christian Science Monitor* explained the economic logic: Tougher sanctions "would hit the ruling mullahs hard by raising Iran's already high unemployment, and perhaps force trickle-up regime change."

Civil War buffs should remember that one key strategy of the North was imposing a naval blockade on the South. Why? Because then the South couldn't trade what it produced well (cotton) to Europe for what it needed most (manufactured goods).

So here's a question: Why would we want to impose trade sanctions on ourselves—which is exactly what any kind of protectionism does? Can the antiglobalization protesters explain how poor countries will get richer if they trade less with rest of the world—like Gaza?

Cutting off trade leaves a country poorer and less productive—which is why we tend to do it to our enemies.

Trade lowers the cost of goods for consumers, which is the same as raising their incomes. Forget about shoe workers for a moment and think about shoes. Why does Nike make shoes in Vietnam? Because it is cheaper than making them in the United States, and that means less expensive shoes for the rest of us. One paradox of the trade debate is that individuals who claim to have the downtrodden at heart neglect the fact that cheap imports are good for low-income consumers (and for the rest of us). Cheaper goods have the same impact on our lives as higher incomes. We can afford to buy more. The same thing is true, obviously, in other countries.

Trade barriers are a tax—albeit a hidden tax. Suppose the U.S. government tacked a 30-cent tax on every gallon of orange juice sold in America. The conservative antigovernment forces would be up in arms. So would liberals, who generally take issue with taxes on food and clothing, since such taxes are regressive, meaning that they are most costly (as a percentage of income) for the disadvantaged. *Well, the government does add 30 cents to the cost of every gallon of orange juice, though not in a way that is nearly as transparent as a tax.* The American government slaps tariffs on Brazilian oranges and orange juice that can be as high as 63 percent. Parts of Brazil are nearly ideal for growing citrus, which is exactly what has American growers concerned. So the government protects them. Economists reckon that the tariffs on Brazilian oranges and juice limit the supply of imports and therefore add about 30 cents to the price of a gallon of orange juice. Most consumers have no idea that the government is taking money out of their pockets and sending it to orange growers in Florida.[10] That does not show up on the receipt.

Lowering trade barriers has the same impact on consumers as cutting taxes. The precursor to the World Trade Organization was the General Agreement on Tariffs and Trade (GATT). Following World War II, GATT was the mechanism by which countries negotiated

to bring down global tariffs and open the way for more trade. In the eight rounds of GATT negotiations between 1948 and 1995, average tariffs in industrial countries fell from 40 percent to 4 percent. That is a massive reduction in the "tax" paid on all imported goods. It has also forced domestic producers to make their goods cheaper and better in order to stay competitive. If you walk into a car dealership today, you are better off than you were in 1970 for two reasons. First, there is a wider choice of excellent imports. Second, Detroit has responded (slowly, belatedly, and incompletely) by making better cars, too. The Honda Accord makes you better off, and so does the Ford Taurus, which is better than it would have been without the competition.

Trade is good for poor countries, too. If we had patiently explained the benefits of trade to the protesters in Seattle or Washington or Davos or Genoa, then perhaps they would have laid down their Molotov cocktails. Okay, maybe not. The thrust of the antiglobalization protests has been that world trade is something imposed by rich countries on the developing world. If trade is mostly good for America, then it must be mostly bad for somewhere else. At this point in the book, we should recognize that zero-sum thinking is usually wrong when it comes to economics. So it is in this case. Representatives from developing nations were the ones who complained most bitterly about the disruption of the WTO talks in Seattle. Some believed that the Clinton administration secretly organized the protests to scuttle the talks and protect American interest groups, such as organized labor. Indeed, after the failure of the WTO talks in Seattle, UN chief Kofi Annan blamed the developed countries for erecting trade barriers that exclude developing nations from the benefits of global trade and called for a "Global New Deal."[11] The WTO's current round of talks to reduce global trade barriers, the Doha Round, has stalled in large part because a bloc of developing nations is demanding that the United States and Europe reduce their agricultural subsidies and trade barriers; so far the rich countries have refused.

Trade gives poor countries access to markets in the developed world. That is where most of the world's consumers are (or at least the ones with money to spend). Consider the impact of the African Growth and Opportunity Act, a law passed in 2000 that allowed Africa's poorest countries to export textiles to the United States with little or no tariff. Within a year, Madagascar's textile exports to the United States were up 120 percent, Malawi's were up 1,000 percent, Nigeria's were up 1,000 percent, and South Africa's were up 47 percent. As one commentator noted, "Real jobs for real people."[12]

Trade paves the way for poor countries to get richer. Export industries often pay higher wages than jobs elsewhere in the economy. But that is only the beginning. New export jobs create more competition for workers, which raises wages everywhere else. Even rural incomes can go up; as workers leave rural areas for better opportunities, there are fewer mouths to be fed from what can be grown on the land they leave behind. Other important things are going on, too. Foreign companies introduce capital, technology, and new skills. Not only does that make export workers more productive; it spills over into other areas of the economy. Workers "learn by doing" and then take their knowledge with them.

In his excellent book *The Elusive Quest for Growth*, William Easterly tells the story of the advent of the Bangladeshi garment industry, an industry that was founded almost by accident. The Daewoo Corporation of South Korea was a major textile producer in the 1970s. America and Europe had slapped import quotas on South Korean textiles, so Daewoo, ever the profit-maximizing firm, skirted the trade restrictions by moving some operations to Bangladesh. In 1979, Daewoo signed a collaborative agreement to produce shirts with the Bangladeshi company Desh Garments. Most significant, Daewoo took 130 Desh workers to South Korea for training. In other words, Daewoo invested in the human capital of its Bangladeshi workers. The intriguing thing about human capital, as opposed to machines or financial capital, is that it can never be taken away. Once those

Bangladeshi workers knew how to make shirts, they could never be forced to forget. And they didn't.

Daewoo later severed the relationship with its Bangladeshi partner, but the seeds for a booming export industry were already planted. Of the 130 workers trained by Daewoo, 115 left during the 1980s to start their own garment-exporting firms. Mr. Easterly argues convincingly that the Daewoo investment was an essential building block for what became a $3 billion garment export industry. Lest anyone believe that trade barriers are built to help the poorest of the poor, or that Republicans are more averse to protecting special interests than Democrats, it should be noted that the Reagan administration slapped import quotas on Bangladeshi textiles in the 1980s. I would be hard pressed to explain the economic rationale for limiting the export opportunities of a country that has a per capita GDP of $1,500.

Most famously, cheap exports were the path to prosperity for the Asian "tigers"—Singapore, South Korea, Hong Kong, and Taiwan (and for Japan before that). India was strikingly insular during the four decades after achieving independence from Britain in 1947; it was one of the world's great economic underachievers during that stretch. (Alas, Gandhi, like Lincoln, was a great leader and a bad economist; Gandhi proposed that the Indian flag have a spinning wheel on it to represent economic self-sufficiency.) India reversed course in the 1990s, deregulating its domestic economy and opening up to the world. The result is an ongoing economic success story. China, too, has used exports as a launching pad for growth. Indeed, if China's thirty provinces were counted as individual countries, the twenty fastest-growing countries in the world between 1978 and 1995 would all have been Chinese. To put that development accomplishment in perspective, it took fifty-eight years for GDP per capita to double in Britain after the launch of the Industrial Revolution. In China, GDP per capita has been doubling every ten years. In the cases of India and China, we're talking about hundreds of millions of people being lifted out of poverty and, increasingly, into the middle class. Nicholas

Kristof and Sheryl WuDunn, Asian correspondents for the *New York Times* for over a decade, have written:

> We and other journalists wrote about the problems of child labor and oppressive conditions in both China and South Korea. But, looking back, our worries were excessive. Those sweatshops tended to generate the wealth to solve the problems they created. If Americans had reacted to the horror stories in the 1980s by curbing imports of those sweatshop products, then neither southern China nor South Korea would have registered as much progress as they have today.[13]

China and Southeast Asia are not unique. The consultancy AT Kearney conducted a study of how globalization has affected thirty-four developed and developing countries. They found that the fastest-globalizing countries had rates of growth that were 30 to 50 percent higher over the past twenty years than countries less integrated into the world economy. Those countries also enjoyed greater political freedom and received higher scores on the UN Human Development Index. The authors reckon that some 1.4 billion people escaped absolute poverty as a result of the economic growth associated with globalization. There was bad news, too. Higher rates of globalization were associated with higher rates of income inequality, corruption, and environmental degradation. More on that later.

But there is an easier way to make the case for globalization. If not more trade and economic integration, then what instead? Those who oppose more global trade must answer one question, based on a point made by Harvard economist Jeffrey Sachs: Is there an example in modern history of a single country successfully developing without trading and integrating with the global economy?[14]

No, there is not.

Which is why Tom Friedman has suggested that the antiglobalization coalition ought to be known as "The Coalition to Keep the World's Poor People Poor."

Trade is based on voluntary exchange. Individuals do things that make themselves better off. That obvious point is often lost in the globalization debate. McDonald's does not build a restaurant in Bangkok and then force people at gunpoint to eat there. People eat there because they want to. And if they don't want to, they don't have to. And if no one eats there, the restaurant will lose money and close. Does McDonald's change local cultures? Yes. That was what caught my attention a decade ago when I wrote about Kentucky Fried Chicken arriving in Bali. I wrote, "Indonesians have their own version of fast food that is more practical than the Colonel's cardboard boxes and Styrofoam plates. A meal bought at a food stall is wrapped in a banana leaf and newspaper. The large green leaf retains heat, is impermeable to grease, and can be folded into a neat package."

By and large, the banana leaves of the world appear to be losing to cardboard. Not long ago I attended a business gathering with my wife in Puerta Vallarta, Mexico. Puerto Vallarta is a lovely city that spills down from the hills to the Pacific Ocean. The focal point of the city is a promenade that runs along the ocean. Near the middle of that promenade is a point that juts out into the ocean, and at the end of that point, on what I would reckon is one of the most valuable pieces of real estate in the city, is a Hooters restaurant. When our group spotted this infamous American export, one man grumbled, "That is just wrong."

A Hooters in all the world's great cities is probably not what Adam Smith had in mind. University of Chicago professor Marvin Zonis has noted, "Certain aspects of American popular culture—the depravity and the coarseness, the violence and the sexuality—are eminently worth resenting."[15] The threat of "cultural homogenization"—the worst of it coming from America—is a common knock against globalization. But it is an issue that leads us back to a crucial point from Chapter 1: Who decides? I was not happy to see a Hooters in Puerto

Vallarta, but, as I pointed out many pages ago, I don't run the world. More important, I don't live or vote in Puerto Vallarta. Neither do the rock-throwing thugs in Seattle or Genoa or Pittsburgh (or wherever else they tend to show up).

Are there legitimate reasons to limit the proliferation of fast-food restaurants and the like? Yes, they present classic externalities. Fast-food restaurants cause traffic and litter; they are ugly and can contribute to sprawl. (Before my valuable work opposing a new train station on Fullerton Avenue, I was part of a group trying to prevent a McDonald's from moving in across the street.) These are local decisions that ought to be made by the people affected—those who might eat in the safe, clean environment of a McDonald's restaurant as well as those who may have fast-food wrappers blown in their gutters. Free trade is consistent with one of our most fundamental liberal values: the right to make our own private decisions.

There is now a McDonald's in Moscow and a Starbucks in the Forbidden City in Beijing. Stalin never would have allowed the former; Mao would not have allowed the latter. Which is a point worth pondering.

The cultural homogenization argument may not be true anyway. Culture is transmitted in all directions. I can now rent Iranian movies from Netflix. National Public Radio recently ran a segment on craftsmen and artists in remote regions of the world who are selling their work via the Internet. One can log on to Novica.com and find a virtual global marketplace for arts and crafts. Katherine Ryan, who works for Novica, explains, "There's a community in Peru where most of the artists had gone to work in the coal mines. And now, because of the success of one artist in Novica, he has been able to hire many of his family members and neighbors back into the weaving business, and they're no longer coal miners. They're now doing what for many generations their family did, and that's weave incredible tapestries."[16] John Micklethwait and Adrian Wooldridge, authors of the globalization tract *A Future Perfect*, point out that in the realm of business, a previously obscure Finnish company like Nokia has been able to thump American behemoths like Motorola.

We're still just warming up when it comes to the side effects of globalization. A Hooters in Puerto Vallarta is a mild headache relative to the horrors of Asian sweatshops. Yet the same principles apply. Nike does not use forced labor in its Vietnamese factories. Why are workers willing to accept a dollar or two a day? *Because it is better than any other option they have.* According to the Institute for International Economics, the average wage paid by foreign companies in low-income countries is twice the average domestic manufacturing wage.

Nicholas Kristof and Sheryl WuDunn described a visit with Mongkol Latlakorn, a Thai laborer whose fifteen-year-old daughter was working in a Bangkok factory making clothes for export to America.

> She is paid $2 a day for a nine-hour shift, six days a week. On several occasions, needles have gone through her hands, and managers have bandaged her up so that she could go back to work.
>
> "How terrible," we murmured sympathetically.
>
> Mongkol looked up, puzzled. "It's good pay," he said. "I hope she can keep that job. There's all this talk about factories closing now, and she said there are rumors that her factory might close. I hope that doesn't happen. I don't know what she would do then."[17]

The implicit message of the antiglobalization protests is that we in the developed world somehow know what is best for people in poor countries—where they ought to work and even what kind of restaurants they ought to eat in. As *The Economist* has noted, "The skeptics distrust governments, politicians, international bureaucrats and markets alike. So they end up appointing themselves as judges, overruling not just governments and markets but also the voluntary