

IN FAVOR OF GLOBALISATION (Defending the Free-Enterprise System)

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It all gets down to definitions, and more importantly “whose definition”?

GLOBALISATION is like PLANNING, we are all in favor of planning if we think of it as being our plan for ourselves, but we are not so keen on someone else imposing their planning onto us.

Similarly, those of us against globalisation are really against someone else’s inflicted version, imposed on us simply to serve their own ends. This is often the case with World Trade Organizations and Governments.

I am in favor of globalisation for lots of reasons that I’ll outline. I am so much in favor of it that I am actually doing something about it, but the globalisation that I am in favor of is as defined by Prof Wolfgang Kasper (page 84-85 of The Fortune Encyclopaedia of Economics .. Warner Books 1993):

“...the phenomenon of globalisation, which makes it imperative for the immobile production factors to become internationally competitive. High labor costs, adversarial industrial relations, productivity-inhibiting work practices, a costly legal system, and a high tax burden are conditions that make countries unattractive to globally mobile factors of production. By contrast, low labor-unit costs and efficient administration are market signals with which the new industrial countries (especially in East Asia) have made themselves highly attractive to mobile resources. The influx of mobile Western firms has raised their productivity, which further enhances the attractiveness of these locations even if hourly wage rates are gradually rising there.

Producers who are losing their locational advantage of being near the central markets can react in one or two ways. They can be defensive by, for example, “Korea-bashing” in order to obtain political patronage, tariff protection, or “voluntary” import restraints. Or they can be proactive and competitive, raising the productivity in the center and specialising on those goods and services that still incur high transport costs and therefore still enjoy a degree of spatial monopoly. The mature high-income economies at the center of the world economic system tend to have the best innovative potential, and they can use this to remain attractive in the era of globalisation. They are more likely to succeed if they abandon political and social regulations that impede innovation, such as a legal system that raises the costs of innovation. In time, competitive producers in

central locations of the global economy will also discover that the competitive new industrial countries will develop high import demand for many specialties produced by the advanced central economies.

Economic theory suggests, and history confirms, that defensive responses are very rarely sustainable over the long term. Indeed, economic openness to trade and factor mobility has been the most powerful antidote to “rent-seeking” (the use of restrictive political influence to secure artificial market niches). In open economies political and bureaucratic power has been channelled in support of mobile producers and to create an investment climate in which footloose production factors can thrive. This explains why modern industrialization took off in Europe, where small, open states were compelled by their citizens to develop institutions of limited government, the rule of law, property rights, and support for commercial competitors, whereas the closed economy of Imperial China stagnated under arbitrary despotism, despite the much more advanced state of Chinese technical know how. Openness to trade and factor movements (with the help of the transport and communications industries that have made such movements increasingly feasible) have indeed been among the prime movers of economic progress.”

So what am I doing to promote the cause of “economic freedom” (this is just another way of describing globalization)?

1. I am encouraging people to the D2 (December 2) Walk For Capitalism, it is an event being staged in major capital cities throughout the World (55 cities so far, and aiming for 100) (for details visit <http://www.WalkForCapitalism.org>).

This “walk” is the free-enterprise equivalent of the anti-globalization protestors, whose bad behavior has thrilled the World’s media.

The free-enterprise march will be so well behaved and civilised that you probably won’t hear about it at all, unless you participate. (Although this may change, as a steady stream of hatemail and threats are being received from the anti-globalists, who are now planning counter protests).

2. My other positive action is that my modest Mannkal Foundation is bringing to Australia, for a lecture tour of Australian Capital Cities this coming month (Sept), Prof Mark Skousen, one of the world’s leading free-market thinkers (refer <http://www.mskousen.com> and <http://www.amazon.com/exec/obidos/Autor=Skousen%2C%20Mark/102-9004512-8272153>

He is also the keynote speaker of this years Australian Conference of Economists.

Mark will also be speaking at a Mannkal lunch, on “The Global Battle for Economic Freedom:Who’s Winning?, Who’s Losing?”

If any of you would like to attend the Sept 26 lunch at the Western Australian Club, please contact me and I'll email you an invitation.

Now why am I in favor of globalisation?

John Stuart Mill once said –

“The only freedom which deserves the name is that of pursuing our own good in our own way, so long as we do not attempt to deprive others of theirs, or impede their efforts to obtain it”.

That's the sort of freedom that true globalization encourages but the disgusting behaviour of the anti-globalisation protestors, which I confronted in Melbourne last year, is despicable in that it deprives others of their freedom to associate and trade with each other.

It's no secret that big business, in the form of the US meat lobby, in particular one billionaire meat producer is behind the carefully stage-managed protest movement, all in the interests of protecting their meat cartel.

When I queried one of the American accented, protestors last year on why he was part of all this, his simple comment was “If someone offers you a paid holiday like this, wouldn't you accept it too?”

His incentive was to see Australia at someone else's expense, and I admired his honesty.

Incentives explain so many of life's events. Incentives explain why higher prices generate greater supply and lower prices do not; why racism is overcome in a free-market where profit-seeking businessmen search for the best labor at the lowest cost; why students work harder in the class where excellence is rewarded and failure is penalised; why capitalist economies do better than socialist economies; why some people quit working to go on welfare; and so on ...

Incentive, which is simply the interest one has in one's own improvement, will mould the future just as surely as it shaped the past (Dr Lawrence Reed of the Mackinac Centre for Public Policy) has written extensively on the subject of incentive <http://www.mackinac.org>

I'm also in favor of globalisation because I'm old enough to remember the rigidities and paralysis of the alternative that we endured over so many years and aware of the tremendous cost to Australia if we fail to complete the reforms we have commenced.

Now, why has globalisation such relevance to your distinguished Western Australian Mining Club?

Our technological talents of exploration, mining and management skills have the ability to create wealth and benefits to all members of society, in all countries. Our talents are among the most mobile skills and when the rocks of the world speak to us, they speak an international language.

Unfortunately, many of our members are suffering economic hardships as Australia's mineral exploration industry declines, due largely to the absurd and misdirected politically inspired land access difficulties.

Not enough is being done by our industry to explain to the Australian public at large, the true cost to them, of these and other political impediments.

At the same time, many of the international opportunities that are screaming out for our technical expertise, are turning sour through political greed, endemic corruption and economic illiteracy where so many newly emerging governments have not grasped the significance of appropriate land tenure and property rights.

It is a huge challenge, that of enhancing the economic literacy of our political rulers, but it is a challenge we should not abandon in the interests of all Australians.

There exists a huge database of countless submissions to Federal and State governments from each of the State Chambers of Minerals, from the Minerals Council of Australia and from AMEC.

This information can be used again and again by us as individuals. Just think of these submissions as intellectual bullets ready to be fired.

I may not live long enough to see a new enlightened political climate in Australia but I am certain that amongst the other mineral-rich nations of the world, at least several will recognise the benefits to them, of establishing mining legislation which will feature clear title (which we don't have), property rights (which we don't have), coupled with matching responsible regulation and appropriate incentives.

Those nations that get the formula right will receive such an influx of talented mining people that the living standards of those countries will, in a short while, be the envy of the world.

Let us benefit from such globalisation and encourage such countries, whichever countries they may be, to emerge and lead by example.

It is all about "comparative advantage" and whichever country "adjusts their settings" just a little better than the next best, will receive the major benefits.

Congratulations to whichever country "gets it right", because I'll see you all there!