“What We Need to Know About the World”

As I retire from three decades of teaching economics and international studies at the University of the Pacific, let me offer some thoughts on the question: What does every citizen of the Central Valley need to know and accept about the world outside the U.S.?

Globalization is happening. The rest of the world has been connecting more to those of us in the Central Valley every day for the last thirty years. In the future, economic decisions in almost every other country will affect our children and grandchildren. It behooves us to try to understand and react sensibly to the attitudes and actions of people the world over.

Three billion people who were very poor, and whom we could ignore a generation ago, are in countries that are now experiencing rapid economic growth through the increasing connections to the affluent countries like the U.S., Western Europe, and Japan. People in Africa and India now are happy to buy Central Valley rice while they sell us exotic minerals and services for our computerized world. The one billion people in the world who remain extremely poor will gain a better standard of living as their countries become more interconnected with highly productive, wealthy countries.

Overall globalization is good. It increases total world production and consumption, which leads to a higher standard of living for people everywhere. Globalization implies increased specialization and trade. We specialize in what we produce more efficiently than other countries. They specialize in those goods and services in which they are relatively more productive. We then trade what we are best at producing for what other countries are best at producing. We all benefit.

Globalization, however, comes with some problems that must be recognized if we are to be moral. Two important problems associated with globalization are unemployment; and uneven wages and working conditions.

Unemployment due to globalization is a short-term, painful problem. Workers and business owners in relatively inefficient industries suffer a loss of jobs until they retrain themselves to work in our relatively efficient industries. In the long term, those people will become employed again in more efficient industries. Sensible public policy should not try to stop that transition, but rather make it move along as quickly and painlessly as possible.

Another negative effect of globalization includes uneven wages and working conditions. In the U.S. we have high productivity and wages compared to people in the poor countries because of our advanced machinery and excellent farmland. In poor countries, however, workers have less of these resources. They cannot produce much, and therefore receive low wages. When new trade opportunities open up for a poor country to export to rich ones, industries that use low-skilled or semi-skilled workers can flourish in the poor countries. These countries, though, tend to have neither minimum wage laws nor any safety standards for work.
The solution? If we want to promote trade which will make almost all people better off, our country must negotiate trade rules with the poor countries that insist on a steady increase in the minimum level of wages and worker safety rules. Over a period of 10 to 20 years, the average wage and working conditions in the poor countries will rise.

In my career as an educator I have tried to expose students to some non-obvious truths such as how freer trade is good for our nation and even more so for the poor nations. My hope is that such understanding will spread beyond the halls of the university to the main streets of America. Behaving morally requires some very careful thinking.

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