

WITH JOHAN NORBERG, GLOBALIZATION ADVOCATE



Johan Norberg is one of the world's leading advocates of globalization. He heads the Department of Political Theory at the Swedish think-tank, Timbro. He has written four books on the subject of economic and individual freedom, the latest of which, *In Defense of Global Capitalism*, won the prestigious Anthony Fisher award in 2002. Johan Norberg has a Master of Arts degree in the history of ideas from the University of Stockholm. He has written several books on human rights and the history of classical liberalism. He is currently writing and presenting a documentary on globalization on UK Channel 4. He was voted by a panel of journalists for the magazine *Den Svenska Marknaden* to be among the 20 most important persons in influencing public opinion in Sweden.

Frontier Centre: Why does globalization help the Third World's poor?

Johan Norberg: It gives them the things we are used to, but which are now spreading around the world, such as markets, corporations, investments and ideas.

FC: Is the debate over? We haven't seen any anti-globalization riots like Seattle for quite a while.

JN: The riots are over for now but they will be coming back, because there is still the same discontent over capitalism that existed before. The current debate is an intermission after the September 11th attacks, which made it hard to romanticize political violence. The same groups now go into specific areas of public policy and oppose privatization of public utilities like water, and so on. They attack corporations instead of globalization as a whole, so they are very potent still.

FC: Why are corporations a positive force?

JN: The idea of a corporation is to make a profit when they use resources in a way that is more efficient than anybody else. That is why they take our money when we buy things. They are basically making the world wealthier all the time and when they go to a poor country they bring in foreign ideas, technology, management and everything that didn't exist there before. This raises productivity and wages in these countries. In the least developed countries, if you happen to work for a multinational, you get eight times the average wage.

FC: So, tie that to child labour. People have a very emotional image of Nike, for example, exploiting third world children. But it's not that simple.

JN: If you stop child labour, say by banning all goods made by children, that would mean – and we have proof from the United Nations on this – that children in those very countries who are thrown out of factories go into prostitution and into crime. They don't work because their parents are evil and want to see their children work but because they don't have any alternative. They have to rely on their work to feed the family. The long-term solution is to create the growth that makes other alternatives possible, so that we can finance education, so that they will get better jobs. During the last thirty years we have seen child labour in developing countries cut in half – not because of prohibition, but because of growth.

FC: You mentioned the tendency of globalization opponents to focus on very emotional examples and to avoid the big picture – you had some very interesting statistics about progress, maybe you could share some of those?

JN: In the world as a whole, during the last fifty years, we have seen a bigger reduction in poverty than we have seen during the five hundred years before that. It's an enormous development, the most rapid reduction in poverty in world history. During the last twenty years, the world's population grew by 1.5 billion people. In spite of this, we have seen a reduction in the number of absolute poor by about 200 million. Take hunger statistics. Chronic hunger has gone down from 40% to less than 18% in the last thirty years.

Infant mortality has gone down from 18% to 8%. When the protestors and TV and newspapers tell one story, one anecdote about someone living a miserable life since they have lost their job, it stirs up the emotions and we think that something is going wrong in the world. But we are missing the big picture. Things are definitely getting better.

FC: The word "profit" is also an emotional and misunderstood word for a lot of people. Basically, what is the case for profit?

JN: Are you familiar with Michael Moore, the American left-winger who wrote the "stupid white men" book? He is a multi-millionaire now, after having made all these profits. When asked why, he said that, "Well, yes, sure I am a multi-millionaire but that is because I do things that people like. Isn't that great, that's why people buy the books." He is totally right and that is how capitalism works. If you provide things that other people appreciate, goods and services that they think are more valuable than the money they pay, you make a profit. A profit is a sign that you are doing something right for other people.

FC: How do we separate the topic of capitalism and global capitalism from the United States? It seems that anti-capitalism is frequently interchangeable with anti-Americanism.

JN: The United States is the biggest capitalist economy in the world. It is not capitalist in every instance, such as when it tries to destroy competition from other countries with steel tariffs, the farm bill and other examples. In Canada, you have the problem with softwood lumber that the United States wants to shut out due to pressure from corporations and unions in the United States who are afraid of competition. They are afraid of capitalism and therefore don't want to allow that. We must do a better job as defenders of capitalism to explain what it is that we are defending. We are defending a system of free competition where people are able to make their own decisions in their own lives. That does not mean that we subscribe to everything that a specific government does.

FC: During the 1990s, Sweden embraced school choice and started peeling back the public health monopoly. The unions and the teachers have not opposed it. Why are your labour organizations and your public sector union leadership more sophisticated than ours?

JN: You would have to answer about the Canadian unions. But in Sweden, the fact is that they are not ideological. They are more interested in creating a real improvement in the way they live their lives and in wages and working conditions than in shouting in the streets that they want to change and improve the world. They have seen benefits from the changes that have been made. For example, in schools and hospitals they suddenly have competition for their labour. Good teachers get more money and nurses get higher wages. In the last ten years, nurses have seen wage increases of almost 50% which they couldn't get under the monopoly system. With competition, they can begin to demand better working conditions because they can always turn

somewhere else. They have found a way of doing all those things that they always shouted about that they wanted to change within the monopoly, but never achieved.

FC: Sweden's new social democratic government which was elected last September has again said that they will be looking at more health reforms, not reversing the ones that allowed private facilities to compete for contracts. Is that true?

JN: Yes, they have said that they won't be reversing them because I think they are much more pragmatic than former social democratic governments. They simply see that this actually works and therefore ask, why don't we continue down this path? A new report says that they will basically open almost all of the health areas for competition and that it would be possible to privatize more hospitals and so on in the future. That is quite a dramatic shift in policy. In the local regions in Sweden, it is often the social democrats that are most enthusiastic about opening up more.

FC: They understand the difference between funding and actual delivery. Most of our politicians don't. Can you explain that difference?

JN: Yes, many people think that privatization and competition must mean that you have to pay for everything yourself and the poor will be without health care. In Sweden, the government still pays for it and decides and buys the specific amount of services that we will get. It doesn't mean that they have to provide the actual service. If you want to feed families that wouldn't be able to feed themselves, you don't have to create government farms to grow food to fix these things. The government, instead, can give us the resources so we can buy our own food or it can buy the food for us.

FC: Can you explain why patent laws in the drug industry benefit society?

JN: Many protestors say that we have, for example, drugs against HIV/AIDS that can be used, so why don't we simply abolish the patents and give them to everybody who needs them. That sounds reasonable but once again they don't think about what would happen in the long term and how this distorts incentives. If we had that system before, we wouldn't have had those HIV/AIDS drugs, because it costs hundreds of millions of dollars to develop one working medicine that is commercially available. If anybody then could copy this drug for almost no cost, no one would put the money into research and development. We need to have those sorts of patent laws to make it possible to cure diseases in the future as well.

FC: How did capitalism and globalization eliminate poverty in Sweden?

JN: In 1870, Sweden was much poorer than the Congo is today. Our rates of infant mortality, life expectancy and other indicators of social welfare were much worse than in developing countries today. We had a crop failure that year and 15,000 Swedes died. They had to make bread from bark, lichens and straw to be able to survive at all, and they ground bones from fish into meal to make porridge. Those were horrible conditions that are much worse than in developing countries today. We must not fool ourselves into thinking that poverty is something new, it has always been around. The amazing thing is that some countries, including Sweden, have been able to escape poverty and that is what we have to explain in the debate. How did this happen? My answer is because of capitalism, because of globalization.

FC: And because of economic freedom?

JN: Yes.

FC: If you had to boil it down, what's the secret to capitalism's success?

JN: The secret to capitalism's success is freedom. Freedom is the most important part of it. Free cooperation in every way means that nothing will happen in the economy unless both parties agree that it is a good thing. We wouldn't enter into a trade, into an agreement, into a contract, if we don't benefit both of us. It is not a zero sum game in any way. We both gain from it, which is the secret that will always make capitalism more productive.

FC: What's a better way to help poor countries, foreign aid from governments or free trade?

JN: Just look at the incentives they both create. We have given foreign aid to a lot of developing countries. We have given the equivalent of about five Marshall Plans to Africa since their countries became independent and what has that led to? Well we have supported those countries who have made the least progress in reducing poverty and creating economic growth because they have an incentive to go to a country such as Sweden and Canada and say, "Look, we are still extremely poor – give us more money." So bad economic policies have been able to survive. This has made it more important for groups in those countries to get political power, because then they can lay their hands on some of these resources. This results in corruption and so on, instead of encouraging the development of new resources. On the other hand, free trade is entirely different. It gives them an incentive to come here and show what they have been able to produce. "Look, we have created these goods, these services – go on and buy them." It is an incentive always to increase what they are doing, to do it in a better way and think of new ideas for better and more efficient production.

FC: You had an example, comparing East Africa with East Asia?

JN: Fifty years ago, Taiwan was just as poor as Kenya and today Taiwan is twenty times richer. The secret behind that is the difference in policies. When it comes to natural resources, Kenya had more. Many thought that Kenya had the better future but Taiwan, instead, chose to go global. It had the protection afforded new enterprise from property rights. It was easy to start a business. Taiwan specialized in the areas they were best in and exported to other countries. Whereas in Africa, isolationists in government kept the production small scale and that is why they never managed to industrialize.

FC: Let's try and draw a parallel with Canada. There is a somewhat fatalistic attitude here in Manitoba that Alberta will always outdo Manitoba because it has so much oil. Are resources that much more important?

JN: No, that's downright nonsense. Look around the world. If natural resources decided which countries would be booming it would be Nigeria, Russia and Venezuela and so on that would be the richest countries and made the quickest progress. Hong Kong, Taiwan, Switzerland and others have been totally without natural resources of any sort. But they are rich because they have cultivated the ultimate resource of human ingenuity, of new ideas. They make new things and think of new ways of producing better, more interesting goods. You don't need natural resources to be economically successful.

FC: What would you suggest to Manitoba if we wanted to grow faster? What's the secret?

JN: Your policy should be to open up opportunities for people to do things, to realize their ideas and their dreams and not have a lot of obstacles. It must be extremely easy to put them into practice by doing away with barriers to starting a business and making it very easy to finance investments. Keep taxes low so that you allow fortunes, savings and investments to go into more productive uses.

FC: We have high taxes and much lower investment per capita. Do you think those are related?

JN: I think you could see an almost perfect correlation. It is very simple. Politicians want to institute taxes, for example, on carbon emissions because they want to keep them down. They want to introduce taxes on cigarettes to stop us from using cigarettes. When they have taxes on work, on investments, on income, on growth, of course it keeps them down.

FC: Some people suggest that the fact that the SARS disease or virus can move from the backwoods of China to Toronto is the downside of globalization. Do you agree?

JN: I don't agree at all. Before the global economy, we also had global plagues like that. The only difference is that then it took a longer time for it to go to different parts of the world. But what did that matter when we didn't have the opportunities to stop it? Millions died of the Spanish Flu in the beginning of the last century. Globalization has meant instead that we get the information, the resources and the technology to deal with those problems. It is not a coincidence that SARS has come from China. It is a densely populated place, with people living close to poultry, pigs and so on. It is poverty that is to blame and political oppression. If China had freedom of expression and globalized information, they would have been able to stop this at a very early stage. Instead they tried to deny it as if they were Comical Ali, the former Iraqi information minister.

FC: Why are you not keen on a unified European currency – the Euro?

JN: A common currency will also lead to common policies in many unsuitable areas of different economies that are in totally different stages of the business cycle. It means an interest rate that is much too high for Ireland, too low for Germany. It means that countries in recession will perhaps not come out of it. The only way to deal with this is to have very flexible labour markets so people move to where there are jobs and lower taxes. But that won't happen. I think the European politicians are more interested in centralizing policy to have massive redistribution to the places that are in worse shape. And that would be a subsidy for bad policy.

FC: In Canada, we have something known as equalization which transfers subsidies from “have” provinces to “have-not” provinces. As an outsider, what would you predict would happen?

JN: I am not familiar with who gets the resources and the details but I would say in principle that what you end up doing is subsidizing bad economic policies. You are subsidizing the problem and punishing those regions that make progress.

FC: What you are saying is that you can't make progress if you don't focus on the fundamentals, like competitive taxes, better policy, a health system that relies on better productivity as opposed to just throwing more money at it.

JN: Exactly, that is precisely what I am afraid of in Europe. If we give them enormous resources, countries don't have to reform their economies, so they become stagnant. Perhaps that's what has already happened in Canada.

FC: Debate about power markets has regressed in Canada. Ontario taxpayers are paying hundreds of millions in subsidies after the government put price controls on electricity, for example. What's the situation in Sweden? Has deregulation failed in your country?

JN: No, I wouldn't say that. Deregulation has meant that we have been able to reduce prices between 10 and 15 percent, but it is still in the very early stages of development. One of the problems is that we should have a free market so that we invest in more power. Instead, the Swedish government is trying to strangle nuclear power, for example. So that, of course, makes it very hard to get new resources.

FC: You have said that farm subsidies, particularly European farm subsidies, make everybody poorer. Why is that?

JN: It makes the developing countries poorer because that is exactly the kind of sector where they could compete. They have a lot of cheap labour, good soil, good climates, and so on. They could compete, but we stop them from doing that with tariffs that shut them out. Subsidies to our own farmers create food surpluses, which we then dump in poor countries. We destroy the potential for competition from them. But it also makes us poorer, because we are denied the opportunity to buy from the better source and it costs us billions of dollars.

FC: Can you give us an example of how subsidies make us all poorer?

JN: Consider farm subsidies in Europe, for example. A cow gets 2.5 American dollars a day. That's more than the average wage of three billion people in the developing countries today. If we take all the subsidies and amount of tariffs that are given to OECD countries in agriculture and horticulture, they amount to \$360 billion. For that money we could send all the 56 million cows in these countries around world on a first-class air ticket and they would still have almost \$3,000 each left over to spend on their stopovers.

FC: You mentioned in Kenya that there were lots of rules and regulations and regulatory policies which have harmed agriculture. Here in western Canada, we have a government wheat marketing monopoly which has put farmers in jail for trying to sell their grain on their own. Any thoughts?

JN: That is just extraordinary. I visited Kenya and they had this system where a monopoly buys and sells everything. Of course, this strangles private competition and oppresses the farmers. I thought this was one of the more horrible systems I have seen and business there shrank incredibly. Now I have come to Canada, and you have the same system. Apparently Kenya wasn't worse.

FC: Are you going to come to Canada and debate with Naomi Klein, the author of books opposed to globalization?

JN: I would love to get such an opportunity. Let's just hope that she would be interested in having such a debate.