Liberalisation, Income, and Health

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It is commonly argued that the world has undergone fundamental transformations over the past twenty years as 'places' and people become amalgamated into a world system of flows (Castells, 1989). Information, disease, and commodities (including people) are crossing boarders with relative freedom, providing the stimulus for global corporations and international non-governmental organisations to expand into previously disregarded spaces .

Many academics have argued that this interconnectivity has eroded state boundaries, and is increasingly challenging the role of the state as a territorial entity. The push by international financial organisations for countries to adopt stringent neoliberal policies and 'roll back' state spending in favour of privatization has added further questions to the new roll of the state in the modern world system (Stiglitz, 2002). The effect of this process on health has been widely debated amongst academics. This essay will analyse the argument given by Richard Feachem (2001) who puts across compelling arguments linking liberalisation, income, and health. Whilst not denying that many aspects of globalisation have resulted in health benefits, I will aim to give a more balanced view of the global system particularly by focusing on the great inequalities of income distribution and political and economic power. I will conclude this argument by focusing on the social impact on the local level.

A tenuous link between income, liberalization, and health

The basis of Feachem's argument is that because health status is inextricably linked to income, and income is inextricably linked to globalisation, globalisation must lead to health benefits. Indeed, the diffusion of technology during the second half of the twentieth and the industrialisation of many countries has led to an overall global increase in life expectancy. Goklany (2002) notes that life expectancy within India rose from 25 years in 1900 - before industrialisation - to 38 years in 1950, and 69 years in 1998. Similar trends can be seen in China where life expectancy jumped from 25 in 1900 to 70 in 1998, and these patterns seem to fit the United States from the 1850's to the present (Ibid). These trends in industrialisation have correlated with a rise in GDP, and hence a positive correlation can be seen between GDP and life expectancy.

Thus proponents of globalisation believe that for a country to increase in wealth industrialisation needs to occur, and this is most easily achieved through the liberalisation of trade and inward investment policies. Globalists believe that after developing countries have enticed foreign production firms by offering cheap operating costs, supporting service firms will arrive and import substitution will occur with the aim of reducing dependency on foreign suppliers (Johnson et al, 2002). Jacobs (1979) notes that import substitution allows the creation of a myriad of interconnected countries - each somewhat reliant on each other[1] - and enables a country to have a vast array of export commodities that it can trade with other countries, promoting commercial interests. The introduction of new machinery and knowledge to produce new goods increases technological capability and creates ‘new work’ (Ibid). This ‘new work’ is essential for stopping a city from becoming stagnant, and spurs entrepreneurial thinking. New work not only comes in the form of factory labour, but more importantly in the service sector that supports these new industries; for example legal firms, banks, entertainment , and health (Taylor, 2004).

However these arguments have been under increasing scrutiny over recent years; both theoretically and practically (Wade, 2005). Whilst technological gains have decentralised the production chain and made it easier for countries to open up to foreign industrial investment, Wade

1 Similarities could be drawn with Kroptkins ‘theory of mutual aid’ (1902), which suggests that humans are naturally co-operative in the interests of self preservation, and without the influence of government humans would form co-operative sustainable communities.

(2005) comments that regionalism and dependency – rather than globalisation and substitution – have occurred. Partly due to the communications advances brought about by globalisation, Wade (ibid) notes that as the manufacturing chain has disbursed, value within the chain has been “spatially disarticulated” (Ibid:7), enabling the multinational corporations within developed countries to keep hold of areas of increasing returns to scale - R&D at the start of the chain, and distribution at the end – and outsource areas of diminishing returns to scale to low wage zones. However not only are developing countries now being encouraged to open up to investment, the fact that goods can be made on one side of the world and flown to the other side in 24 hours means that many workers now have to compete globally for work (Herod, 2002). Whilst Massey (1984) rightly argues that this has led to new “roles” for places in the new economy, it has also led to a 'race to the bottom' in terms of income, and increased job volatility as multinational companies seek cheaper ‘un-unionised’ production sites. Wright (2002) examines the production of Nike trainers, noting that the company used to own manufacturing plants in the United States and United Kingdom, but now produces 100% of its products using a fluid network of subcontractors who source cheap labour locations throughout Asia.

Whilst the vast majority of labour within developing countries is still concentrated in the agricultural sector, the balance of employment is shifting rapidly towards the other sectors in the economy: industry and services. Dicken (2001) notes the vast contrast between growth in the size of the labour force in industrialising countries during the nineteenth century and the growth in modern industrialising countries. In the earlier period the European labour force increased by less than 1 percent per year on average leading to a doubling of the labour force every 90 years, compared to an average growth of 2 percent per year in current developing countries with a doubling of the labour force every 30 years. The problem is likely to become worse as population levels within the developing countries rapidly increases; more than 90 percent of population growth since 1950 occurred in developing countries (Dicken, 2001). This has led to a saturation of the 'low-cost' labour market whereby countries now have to offer further incentives to attract multinational corporations looking for cheap labour (Romero, 2008). Thus liberalisation has occurred, and in many developing countries ‘Export Processing Zones’ have been created that offer foreign corporations tax incentives, tariff waivers, and exemption from certain kinds of legislation - including some labour laws[2]. This enables corporation’s 100 percent ownership of export-processing ventures and the use union free labour opportunities whilst giving the state little or no returns. Romero (2008) notes that EPZ’s have been increasingly encouraged by the United Nations and the World Bank who have also given certain countries “financial and technical advice to promote zones, in the hope that such projects would provide a fillip for the progressive liberalisation of investment regulations and industrial development” (Ibid:3), even whilst evidence from countries such as Barbados and the Dominican Republic shows that foreign owned companies working in EPZ’s consistently pay less than domestic enterprises (ILO, 1992). This focus on export orientated policy has effectively denied developing countries the opportunity for import substitution - the core argument for economic globalisation – by locking them into an export regime.

However, whilst communication and transport technology has allowed the manufacturing and assembly process to become increasingly mobile, high value areas of the production chain have remained bounded in developed countries (Dicken, 2001). The importance of tacit knowledge within the R&D and supporting industries – including the finance industry – has led to an agglomeration of high level services in developed countries (Pain, 2008) due to the increasing significance of face-to-face meetings to pass on technological expertise. Although international travel links have increased the ability for dispersion of limited services, the majority of firms still have their headquarters clustered within the major World Cities of developed countries (Taylor, 2002). Wade (2005) notes that as the pace of technology has increased the ‘stickiness’ of these high-value services has also increased, making it ever harder for developing countries to create pull factors for these services.

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2 Romero (2008) notes that in Togo legislation for the setting-up of EF% (Act No. 98-14 of 18.09.90) contains no provision indicating whether labour relations in zones are governed by the Labour Code (1974).

Inequality

Stiglitz (2002) notes that whilst many people draw a link between development and liberalisation they fail to realise that most industrialised countries undertook liberalisation over a period of decades, only opening up developed sectors that had stringent regulatory frameworks in place. For example, countries of East Asia resisted liberalisation and developed rapidly following the Second World War under strong governmental regulation, but ran into economic crisis in 1997 when they were forced by the International Monetary Fund (IMF) to rapidly liberalise their financial and capital market systems. For decades East Asia had grown faster and tackled poverty more than any other region in the world. Similarly, while developing countries with liberalised economies saw their incomes drop, the only two countries to escape the crisis - India and China, which are often seen as the pillars of the globalisers – had capital controls (Stiglitz, 2002).

Furthermore Feachem argues that liberalisation has led to a reduction in economic inequality both between countries, and intra-country. He reiterates the claim that the economies of "globalising developing countries have grown much faster than other developing countries" but fails to produce any substantial evidence to state how this growth has been distributed. Wade (2005) and Milanovic (2002) argue that measuring income inequality can give hugely different results depending on exactly what it is you are measuring. At a global level country GDP may well have risen, however at a national level this 'average income' is skewed by the disproportionate distribution of income. Dicken (2001) notes that even within the middle income countries of East Asia this distribution is still considerably larger than those of high income countries (Table 1).

Table 1: Distribution of income within selected developing countries (Dicken, 2001)

Country (Year)	Lowest 20%	Highest 20%
Brazil (1989)	2.1	67.5
Chile (1994)	1.4	61
Mexico (1984)	4.1	55.9
Malaysia (1989)	4.6	53.7
Philippines (1988)	6.5	47.8
South Korea (1988)	7.4	42.2
Singapore (1982/3)	5.1	48.9
India (1990)	8.8	41.3
Average for high income countries	6.2	40.7

Studies consistently show an increase in economic inequality within countries that undertake neo-liberal policies (Cornia, 2001). Cornia & Kiiski (2001) studied domestic trends in income distribution between the 1950's and 1990's and showed that income inequality rose in the last two of those decades in 48 of the 73 countries analysed. These inequalities were greatest in developing countries, particularly those that had experienced rapid liberalisation (Ibid). This in-country income polarity slows the pace of development due to income growth. Addison and Cornia (2001) also note than in extreme cases a rise in income inequality can lead to a surge in poverty rates, even as average per capita income increases. Despite the claims of poverty reduction made during the last decade of the twentieth century the actually number of people living in poverty rose by almost 100 million[3], whilst total world income rose by an average 2.5 percent annually (World

3 In 1990, 2.718 billion people were living on less than $2 a day. In 1998 the number of people living on $2 a day is

Bank, 2000).

This income inequality has wide ranging impacts. On a national and international level it can lead to political instability and riots, even if rates of poverty have decreased (Kawachi et al, 1999). Corina (2001) notes that it can also lead to 'horizontal' inequality between social groups, leading to concentration of wealth and resources between prominent groups. In undemocratic societies this may result in a concentration of public subsidies, particularly affecting healthcare. Private healthcare systems may also increase insurance premiums or user fees to benefit from the rich, whilst neglecting the limitations of the poor. This is of particular importance in areas with poor government funded health infrastructure and a reliance on the private sector.

Indeed, globalisation has the potential to bring great health benefits. Technological development and the ability to transfer these developments around the world have allowed developing countries to take incredible technological advancements. However despite an increase in the number of low cost public health interventions (e.g. vaccination coverage) and maternal educational programs for parents, infant mortality rate has reduced less in the last two decades than in previous decades since 1960 (Table 2). This coincides with the introduction of the rapid liberalisation policies introduced by the Washington Consensus and enforced through the IMF and World Bank.

Table 2: Trends in average regional annual decline in infant mortality rate.

	1960–70	1970–80	1980–90	1990–98	1960–80	1980–98
World	−2.6	−2.0	−2.7	−1.3	−2.3	−2.1
High-income countries	−3.9	−5.3	−3.8	−4.0	−4.6	−3.9
Low- and middle-income countries	−2.8	−2.1	−2.8	−1.3	−2.4	−2.1
Eastern Europe and Central Asia	–	–	−3.9	−3.1	–	−3.5
East Asia and Pacific	−4.8	−3.4	−3.2	−1.5	−4.1	−2.4
Latin America and Caribbean	−2.2	−3.2	−3.8	−3.5	−2.7	−3.7
Eastern Mediterranean and North Africa	−2.1	−3.4	−4.5	−3.4	−2.7	−4.0
South Asia	−1.6	−1.5	−3.1	−1.8	−1.5	−2.5
Sub-Saharan Africa	−1.8	−1.7	−1.3	−1.2	−1.8	−1.2

Source: Cornia (2001)

The importance of agency

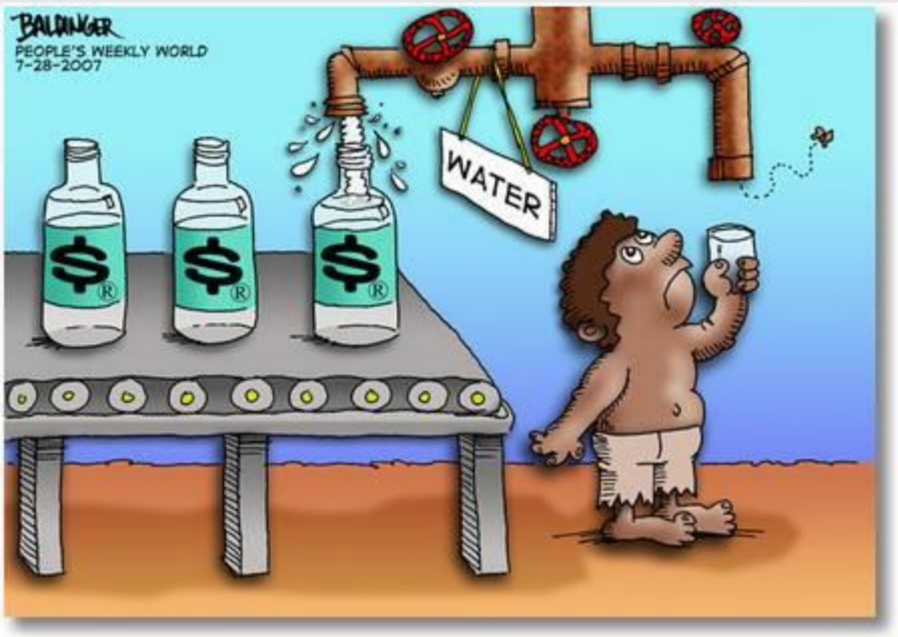
Feachem argues that income disparities that have appeared since liberalisation are the result of social and economic policies put in place during country growth. What Feachem fails to note are the power imbalances inherent within the international institutions that have been coercing poor countries to open up their markets to trade and capital investment. Liberalisation has been forced on developing economies through the use of conditional loan agreements that favour rich countries. These loans have been channelled through the World Bank and IMF, both of which were all created by the 'Great Powers' that emerged from the Second World War. These organisations have continued to be dominated by western powers with constrained input from developing nations. Power within the World Bank - which has taken the leadership in developing and imposing healthcare policies over recent years - is dependent on the shares a country has in the bank, and is largely dominated by its main donor, the United States. Similarly, Stiglitz (2002) notes that the IMF, although a public institution that has been created with money provided by tax payers around the world, “does not report directly to either the citizens who finance it or those whose lives it affects” (Ibid:14). Rather, it reports to finance ministries from around the world and has an imbalanced voting arrangement that is still structured on the power of countries at the end of World War Two. These intergovernmental agents are not neutral; they are lobbied by, and pursue the agendas of, their dominant members. Furthermore, a study by Lee and Goodman (2002) showed

estimated at 2.801 billion (World Bank, 2000).

within these organisations it is an elite few that have a large influence on the policy agenda, often rotating between organisations.

The West has driven the globalisation agenda, claiming benefits for poor countries by forcing the elimination of import and export tariffs, whilst reaping the benefits by continuing to keep their own tariffs in place (Aksoy & Beghin, 2005). This has had considerable heath impacts, particularly on the poor. Not only has liberalisation allowed rich foreign companies to privatize non-health related sectors (often indirectly influencing health), it has also enabled the privatisation of sectors traditionally seen as public amenities essential for well-being, not market commodities (Gleick, 1999). For example, during the 1990s there was considerable pressure – through conditional loans - by the IMF and World Bank to introduce private participation in water supply and sanitation. Encouraged by increasing water scarcity multinational water corporations and their Western government allies argued that privatization would encourage efficiency, cost effectiveness and competition (Public Citizen, 2003). However unlike publicly owned companies, private companies are not bound to the commitment to universal access to clean and affordable water unless profit can be guaranteed (Ibid). This isolates the poor and rural who would be an unprofitable investment, but who are most in need of clean water and sanitation, consequentially increasing disease, malnutrition, and social unrest.

Case Study: Water Privitisation in Bolivia



Source: http://www.celsias.com/media/uploads/admin/water_privatization.jpg

In 1999 the heavily indebted Bolivian government granted a 40 year contract to Aguas del Tunari[4] to provide water in Cochabamba, but had to terminate the contract early in 2000 due to increasing civil uprising. Immediately following the privitization water rates increased by 100-200 percent in some cases, disproportionately targeting the poor (Shultz, 2000). In 2000 strikes brought the city to a standstill and - following the injury of 125 people and the death of 1 protester - the government had to terminate its contract (Public Citizen, 2003). Similar dramatic rate increases have been seen in Buenos Aires, Manila, Atlanta, Indonesia, South Africa, and the United Kingdom.

The social impacts of globalisation

Feachem's argument of social cohesion driven by globalisation is largely valid. Indeed, the

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4 Aguas del Tunari is part of a consortium led by International Water Limited

technological components of globalisation have allowed the rise of global movements aimed at tackling tackling a wide variety of civil issues. As the ease in communications has increased, the number of international civil society organisations has grown remarkably since the 1970's, reaching nearly every corner of the globe. School students within the North are now well versed in the hardships faced by the students within the South, and global civil society is ever more knowledgeable about atrocities committed by states. Indeed globalisation has also allowed the cross border dissemination of health knowledge between academics and institutions, and telemedicine has allowed this knowledge to be instantaneously passed on to patients equipped with the correct technology.

However, despite the advantages globalisation has given to global movements, there has also been a rise in the number of movements protesting against globalisation. Feachem argues that this has brought about a strange paradox; whilst many of these organisations are using the mechanisms of globalisation to pursue their interest in global solidarity, they are also arguing against the very mechanisms that have allowed them to reach such widespread audiences. Feachem believes that whilst protesters continue to campaign against globalisation, they “don't really know what they're protesting against”.

I argue that these global movements are not necessarily against globalisation, but against the abhorrent power indifferences brought about by globalisation. Whilst at a global level these power struggles manifest themselves in trade negotiations, loan agreements, and global politics, at a local level social movements have emerged articulating struggles for cultural, ecological, and economic survival brought about by sudden dramatic changes at a sub-national level (Routledge, 2002). Small communities previously untouched by internationalism are having to deal with the impact of multinational companies and associated health impacts. As Western consumerism dissipates throughout the world under the ideology of capital liberalisation, conflicts have increased over access to productive natural resources such as forests and water (Routledge, 2002). Brohman (1996) draws attention to the severe and perhaps irreparably damaged countryside within Asia as a result of the rapid industrialisation that has taken place, in-proportionately affecting poor subsistence farmers.

Martinez-Allier (1990) notes that unlike in developing countries where environmental problems are “quality of live'” issues, in the developing world movements have often focused on access to economic resources. These impacts, combined with the impacts of trade liberalisation mentioned previously, have pushed the poor deeper into poverty and created a reliance on the very global system that has destroyed a previously sustainable way of living. .

Conclusion

In conclusion, whilst technological developments seen during recent years have allowed for an increase in global flows of finance and goods – including medicine – it is becoming increasingly obvious that these benefits are not affecting everyone. The 'rapid' liberalisation forced on developing countries by international financial institutions and bilateral trade agreements *before* solid regulatory frameworks have been put in place, has allowed multinational corporations to instigate a *'race to the bottom'* between countries trying to offer cheaper labour and relaxed production laws. Premature liberalisation has increased global inequalities, allowing the rich to get richer whilst pushing the poor into greater poverty. Although this has led to health benefits for many who are able to access these new health services, for the majority of the world living in poverty it has led to a slowdown in health advancement.

With the current nationalisation of the US economic core, it will be interesting to see if a more green approach can be taken to the redevelopment of the world economy, taking into account the needs of the poor. However, this will require a great redistribution of power within the agencies of international institutions which may be hampered as rich countries grasp to keep in control of their national economies.

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