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A More Just World

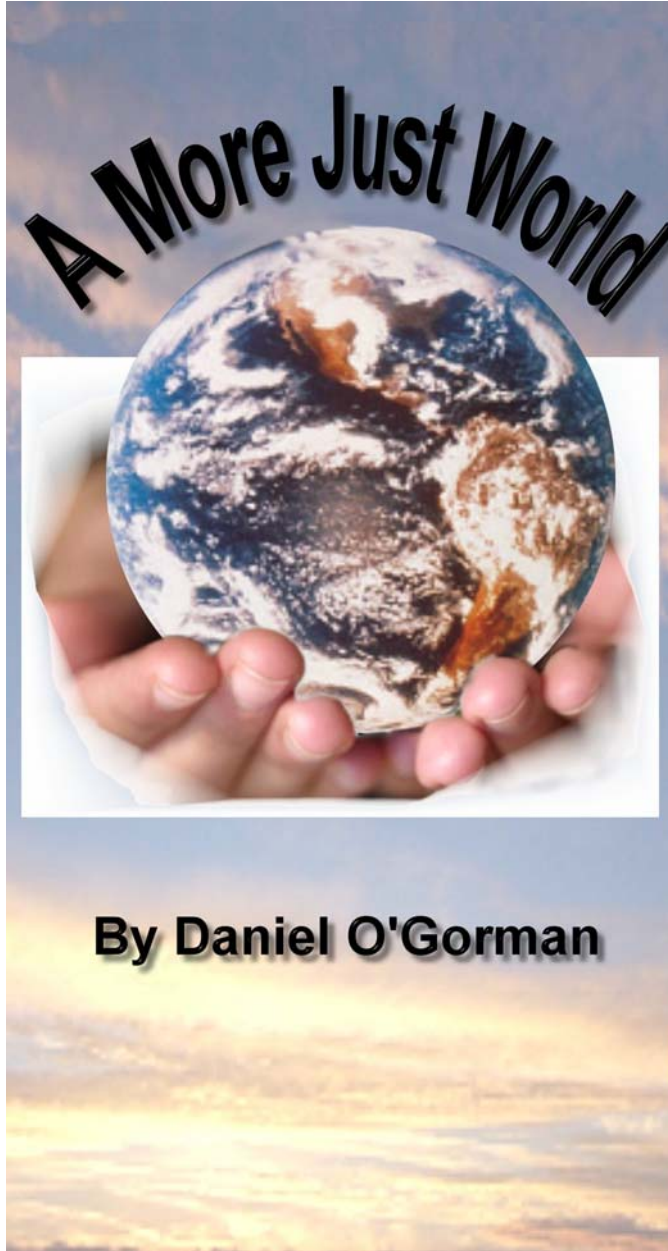
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# **A More Just World**



**By Daniel O'Gorman**



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# A More Just World

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**By Daniel O’Gorman**

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**Chapter 1**  
**History of Powerful Nations**

The question of a more just world is facing the United States today, but it is not a new question. It has been asked by many powerful countries and leaders since history began. Sadly, it has not been answered by many correctly. We can look at history and see what others have done and what the results were. From reviewing the mistakes and omissions of others, we ought to at least try to choose a new path.

Let us start with Egypt. Egypt was the most powerful nation on earth, but it used enslavement to foster its economy and secure its standard of living for the leadership.

Those who read the bible know what happened. The poor unite and leave. The government pursues with its military and loses most of it in the chase. The same goes for the Babylonians, the Persians, the Israelites, the Greeks, the Romans, the French, the British and the Germans.

The ancient powers of Babylon and Persia enslaved the conquered people. The Israelites gained the promised land only to lose it when their leaders ignored the precepts they were given and sought power and riches. The Greeks used military power to enslave the conquered people. Rome was the first to seek world domination using its military as its main source of conquest. Rome lasted a long time and had the ability to make a huge difference but it eventually failed due to its subjugation of the poor in its conquests.

England and France used their military power to subject colonies to do their bidding. They stripped the resources of poor countries and enriched themselves leaving the poor in desperate circumstances. The negative effects of colonialism still affect many countries suffering in poverty today. The



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Europeans today still give subsidies to their farmers which prevent poor countries from competing in world markets.

The weapon used today is mostly economic power. This is used in trade agreements to the advantage of the rich over the poor. Economic power is subtle and not very visible but has a greater impact than the military weapons used in the past. The United States and the Europeans have the world’s biggest markets and use economic power to enrich themselves at the expense of the poor.

What is the common denominator that destroyed nations as all-powerful as they were in their day as the United States is today? It appears to any casual reader of history that the common denominator was the way these countries treated the poor that they encountered. Economic power, military power, religious power all failed them.

Is our situation similar today? Are we relying on economic power, military power and religious power to support our standard of living while the poor of the world starve and/or have no rights to property, education and safety? Have we been successful in dealing with the poor in our own country?

Before we go further, let us ask whether the United States is trying to create a more just world. Or is it trying to secure our domination over the world? Is it trying to secure our religious power? Is it trying to secure our American Way? Is it trying to secure our lives so we can continue our domination? Is it using our military power to effect this domination? Is it using its economic power to secure its domination? Even with all the failures in history about others that have done this very same thing, is the United States ignoring the lessons of history on how to seek justice in the world?

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We will look at how the United States and others treat the poor in the next chapters.

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## **Chapter 2**

### **Why are Changes Needed in the United States Today?**

The social engineering changes since the 1960’s have failed in their purpose to relieve poverty in the United States. The list is long so I will only mention a few. The list includes welfare, food stamps, community mental health facilities, affirmative action, busing and public housing. These and other programs created an underclass culture of individuals that received benefits that exceeded what the individual could make if they worked. The time honored way of using work to rise from poverty was disconnected for this group. They were told that taking a minimum wage job was chump’s work and beneath them. Two people working at a minimum wage job can improve their lot. This generation wanted more but refused to work for it and the government gave them the way. The pity is that so many suffered, especially children. The mothers who did not learn a skill to improve themselves. The men who are not being good fathers to their children, many shirked their responsibilities by using alcohol, drugs and sex. Other changes that contributed to the creation of this underclass are the disregard for moral standards that led to a large increase in children born out of wedlock, an increase in drug and alcohol abuse, violence and crime. In addition, this underclass was denied an adequate education. Today all the F schools in school districts that do testing are in the poor and usually high minority neighborhoods. Through all of the efforts we have done we have failed to raise the minority groups of our country out of poverty.

In some US cities families live in conditions that are as bad as any third world country. Drive by shootings and crack houses infest their neighborhoods. Their world is dangerous and filthy with dilapidated housing and abusive parents or neighbors.

The underclass sees no way out of this. If they try to improve they will be shunned or robbed by their neighbors. This

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fatalistic attitude is imbedded in their culture. Children are not supervised by their parents when they go to school, so they often don’t finish high school. Students who show promise are ridiculed. Teachers quit teaching or do a poor job waiting for retirement. A recent illustration of this is a program that offers teachers a substantial bonus if they will teach in F schools. This was tried in West Palm Beach School District in Florida and there were few takers. The school administration was stunned.

In Riviera Beach, Florida some concerned citizens appealed to the school district to install a tried and tested reading program in the first grade of their D school. This program had been used in other low income areas in Miami, Florida and Broward County, Florida with modest success. The school board was not easily moved but finally relented but started the program in the fourth grade. The group was appalled. This gave a clear message. Don’t tell us how to do our job. I asked one of the members of the group who tried to put the new program in, why he didn’t get the parents to read with their children because this is a proven way of teaching reading. His answer spoke volumes. The parents often don’t care or they are too busy or they are not there or they can not read themselves. He added that teachers are paid to teach reading and they should be held accountable to do it.

Is this a fair viewpoint? Are teachers supposed to teach reading without parental support? I posed this question to a public school teacher and was told it can’t be done. This doesn’t sound like the teachers of years ago who taught the Irish, German and Italian poor when their parents couldn’t read. This misguided attitude is a systematic failure of the school system. Yes it’s great when parents are involved in their child’s education, but if the parents aren’t helping it’s up to the teacher to find a way. I have asked many successful individuals if their parents read to them as children. The responses were 90% no. They all learned in school. One of the greatest achievements of

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the Bush brothers is to push for school testing. This will highlight the inadequacies of the minority education system and be a voice for reform. I have personally interviewed several minority children who got a high school diploma from a Florida high school and could not read. Most of these children were headed for hard and miserable lives.

For others, if they do finish high school their education has been so dumped down that they are at a severe disadvantage in competition for a job or higher education. Family resources are unable to send them to more education or training. The downward spiral is started for another generation.

Another myth I want to dispel is that there are not enough jobs in the United States for the poor. Why do we have almost all of our crops picked by legal and illegal immigrant farm workers? Why are the construction trades full of foreign workers who do not speak English? Why are Chinese and Mexican restaurants full of illegal immigrants? What has happened is that the poor born American have been looked down upon when they work in minimum wage jobs and given a hand out from the conscience rich and they were robbed of the work effort. Their neighborhoods were abandoned by the police. They were given public housing without the means to build a community. You don’t build a community by putting all the poor in one place. Out of sight is out of mind. This is how you build a ghetto not a community. Poor should be helped to live in middle class neighborhoods with good school systems. Poverty and hard times are not a scandal. It is a condition that can and should be relieved by society. When the poor are cut off from the society as they have been they become invisible. The segregationists who espoused the philosophy of separate but equal were more honest than today’s policies of separation and unequal. You won’t hear anyone in conversation call our policies segregationist but the results of public housing, inadequate schools have produced just such a result. I recently sat in a

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room with a black group that was complaining about white people buying into their neighborhood. After 50 years of social programs we have not gained a thing.

We must break down the barriers that keep us apart. We must think big and not go for minimal efforts. We must make all our programs meet accountability standards. A reasonable standard is that we truly integrate neighborhoods year by year until we empty the ghettos and rebuild them. We must make the poor owners of property not in a ghetto but in a good neighborhood where they will be able to grow in a community. If counseling on home management is necessary let’s give it to them. I live in a very rich community but I have found two relatively reasonable places to live. The first was a \$53,000 condominium that grew to a \$75,000 value which enabled me to buy a \$150,000 townhouse. Is it so unrealistic to ask the state to subsidize some poor people to live in these communities which have excellent school systems? Shouldn’t my grandson know some black children and accept differences when he is young, so as he grows older it will be natural. Right now we integrate schools and the whites go home to their neighborhood and the blacks to their. There is no integration. There is a lot of resentment on the black’s part because their neighborhoods are usually in great disrepair. We work at and spend so much on programs that don’t work. Christian schools are predominately elitist schools and keep out the poor with high tuitions.

I laugh when I hear or read comments about preserving the American way of life. To many of the world and our own country the American way of life is segregationist, elitist and cruel. Our poor are kept in ghettos. The culture of the American majority doesn’t know a poor person and thinks it is the poor’s fault they are poor and many children live going to bed hungry each night in the richest country in the world. This is magnified when the world looks at us. In a Journey to Justice Retreat recently a

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Catholic Charities representative remarked that there were 2000 children going to bed hungry that night in Palm Beach County. A little while later, a young lady from Brazil remarked that this statistic was a drop in the bucket from where she came from. The children going to bed hungry every night in Brazil is in the millions. Malnutrition at young ages will affect children’s ability to learn. This fact has led to many injustices done to minorities for centuries. People actually believed that minorities were inferior to those in power, but the truth is that that malnutrition and starvation led to an under-developed mind. The powers caused the inferiority. This still goes on today. Although we advanced science we haven’t advanced behavior.

Back to our American way of life, illegal immigrants are the backbone of our American agriculture industry. A good deal more of our food is produced from the toil of underpaid third world workers. Our clothes are made from sweatshops in third world countries under conditions, which would not be tolerated in this country. Our computers, cell phones, game boys and most of our appliances are made in third world countries that usually exploit workers with practices that would not be tolerated here. Third world country workers primarily make our buildings and homes. We use more than half the oil produced in this world and we arm the world with our old weapon systems, which leads to wholesale loss of life. This is not a way of life that is worthy to be preserved. We must change it.

What is to be done? The concepts of handouts by the government to individuals and governments should be curtailed. Training, jobs and day care centers should replace the handout system. There should be no rewards for having more children. Work should be made available. If people don’t want to work, they will not be supported by the state. The state has to tell people they have to work and become productive citizens. Today we rely on the private economy to provide the jobs. Job programs pay thousands of dollars to pay people to

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call the private sector for jobs that they can put in a job bank computer system. Hundreds apply for the same job. The system is unproductive. The poor are told that the Government will train them for jobs and then they either tell them they are out of funds or train them for jobs that are no longer available in private industry. This should be a public / private endeavor. Accountability and measuring results should be the order of the day. Affordable housing programs must be handed out in a more orderly manner than having people camp out the night before for applications. Either do away with the food stamps program or make it more accessible. Every social agency and poor person I have had contact with has complaints about the food stamp program. The government has to become the employer of last resort not a source of continued underclass support. These changes and other ones will be discussed in later chapters.



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### **Chapter 3**

#### **Why are Changes Needed in the World Today**

I will discuss the third world need for change through the eyes of the international organizations that deal with these problems on a daily basis. The first is a press release from the World Trade Organization (WTO). For those of you not familiar with the WTO, they are the group that is responsible for negotiating trade agreements between countries. These agreements take years to negotiate. Before the WTO trade negotiations could be settled with local agreements, war, blockades, boycotts and slavery. This is a very important function. This is the group that had its meetings demonstrated against in Seattle, WA and in Europe. Their reaction to the riots and demonstrations is stunning. Read it and understand that those deep inside the WTO organization know their agreements were wrong, but their reaction to public pressure is an act of bravery, which few people understand.

#### **The World Trade Organization issued the following press release May 20, 2002.**

“After a protracted and detailed review of current trade policy and its effect on developing countries, the World Trade Organization has decided to effect cessation of all operations, to be accomplished over a period of four months, culminating in September, the WTO will reintegrate as a new trade body whose charter will be to ensure that trade benefits the poor.

As of September, agreements reached under the WTO will be suspended pending ratification by the new organization, tentatively referred to as the Trade Regulation Organization. Many existing agreements are likely to be re-ratified, but each will be subject to individual review for compliance with the TRO’s charter, which is based upon the Universal Declaration

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of Human Rights. (See a copy of this declaration in the appendix)

The restructuring has come in response to numerous studies indicating the current trade liberalization rules and practices have led to increased poverty and inequality, and have eroded democratic principles, with a disproportionately large effect on the poorest countries.

Under the restructuring, the GATS agreement will be scrapped entirely, and a new agreement regulating services will be forged after an assessment of the effects of past services’ liberalization, and when there has been adequate opportunity for governments, and civil society to analyze and debate new proposals.

In addition, all aspects of TRIPS, TRIMS, AOA, and other agreements will be reviewed with humanitarian and other considerations in mind and will progressively be replaced with corresponding versions under the TRO.

Proposals and resolutions for the foundation of the TRO will be evaluated beginning in June according to their likelihood of furthering The TRO Charter. Specifically this will mean redressing the imbalances of existing trade agreements; providing access for developing countries to developed countries markets; assessing the effects past trade liberalization and redressing problems where possible; and developing an enforceable frame work for special and differential treatment guaranteeing that development policies are not undermined by trade agreements.

The immediate necessity, besides fixing core problems, will be to build a new regime of trust among members (notably between HIC and LDC members) with civil society organization (NGOs), and with members of the public. The core goal is to

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establish rules whose priority is to benefit the poor, improve the environment, and strengthen democratic principals – in a pragmatic and immediate rather than theoretical and long-term sense.

In order to provide greater access to the least developed Countries who will most benefit from the existence of the TRO, the organization’s headquarters will be moved from their current location in Geneva to the capital of one of the LDC’S. Proposals for final location are currently being solicited.

The restructuring will proceed according to the following schedule:

May 31	Final deadline for binding resolutions
June 30	Initial principles
July 15	Comments and recommendations to initial principals
August 15	Final determination of principles
September 30	Restructuring complete <sup>1</sup>

The WTO has been used by the High Income Countries to continue the destructive polices that existed in colonialism. During colonialism the conquered country was stripped of its resources for the benefit of the conquering country. It didn’t matter if the impoverished country was destroying their environment, starving their poor people by producing foodstuffs for export and importing goods which poor people didn’t have the money to buy. Free trade did the same thing. This reorganization of the WTO is a major event. The hired hands of the high-income countries are in revolt. They were shocked by the public demonstrations against their policies and they capitulated quickly.

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<sup>1</sup> “WTO to announce schedule for disbanding”, World Trade Association Press Release 295, May 2000

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The high-income countries are already working to nullify any action the WTO takes by setting up “regional trade organizations”. These so-called regional organizations are being formed around the globe with countries that are not regional by geography. It looks like the high-income countries are taking advantage of the low-income countries again.

The problems of trade and its effect on the poor are well documented in a research study of the World Bank and a speech given by the World Bank’s Chief Economist. The first is the research report titled “Globalization, Growth and Poverty: Building an Inclusive World Economy.” A press release of the study follows.

**Globalization, Growth and Poverty: Building an Inclusive World Economy**

“Globalization has helped reduce poverty in a large number of developing countries but it must be harnessed better to help the world’s poorest, most marginalized countries improve the lives of their citizens according to the report **Globalization, Growth and Poverty: Building In a World Economy**. This is especially important in the wake of September 11 and the worldwide economic slowdown, which is expected to hit poor people particularly hard.

The study shows that 24 developing countries that increased their integration into the world economy. Over two decades ending in the late 1990s IQSOs achieved higher growth in incomes, longer life expectancy and better schooling. These countries, home to some billion people, enjoyed an average 5 percent growth rate in income per capita in the 1990s compared to 2 percent in rich countries. Many of these countries-such as China, India, Hungary and Mexico have adopted domestic policies and institutions that have enabled people to take advantage of global markets and have thus

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sharply increased the share of trade in their GDP. These countries have been catching up with the rich ones - their annual growth rates increased from 1 percent in the 1960s to 5 percent in the 1990’s. People in these integrating countries saw their wages rise, and the number of people in poverty declined.

But not all countries have integrated successfully into the global economy. The report says that some 2 billion people - particularly in sub-Saharan Africa, the Middle East, and the former Soviet Union - live in countries that are being left behind. These countries have been unable to increase their integration with the world economy; their ratio of trade to GDP either remained flat or actually declined. On average, these economies have contracted, poverty has risen, and education levels have risen less rapidly than in the more globalized countries.

The study puts forth a seven-point plan to help all developing countries better take advantage of the benefits of globalization while managing the risks. It calls on poor countries to improve their investment climates and put in place better social protection to support poor people in adapting to and taking advantage of opportunities in a changing economic environment. It also calls upon rich countries to open their markets to exports from developing countries and to slash their large agricultural subsidies, which undercut poor country exports. The report argues for a substantial increase in development assistance particularly to address problems in education and health.

Specifically, the seven-point plan of action calls for.

- *A 'Development Round' of Trade Talks* - Developing countries would gain enormously if rich nations make the WTO Doha Development Agenda a reality and agreed to bring down

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their trade barriers. Poor workers in developing countries today face tariffs twice as high as workers in rich countries. This must change. Rich countries must also take action to reduce dramatically their agricultural subsidies - which currently stand at \$350 billion a year, roughly seven times what rich countries spend on development aid. These subsidies not only hurt poor people in developing countries; they also mean higher taxes and higher prices for people in rich countries. Developing countries would also benefit from better access to each other's markets - barriers between them are still higher than the barriers they face in rich countries,

- *Improving the Investment Climate in Developing Countries* - Encouraging investment and creating jobs requires good economic governance - measures to combat corruption, better-functioning bureaucracies and better regulation, contract enforcement and protection of property rights. This is especially important for small and medium-sized firms and farms which are key to job creation and to raising living standards of the rural poor.

- *Improving Delivery of Education and Health Services* - The developing countries that have gained the most from integrating into the world economy have shown impressive gains in primary education and infant mortality. This suggests that many countries have made investments in education and health services that enable the poor to benefit from growth.

- *Provide Social Protection to a Changing Labor Market* - Tailoring social protection to the needs of a changing economy helps individual workers adjust to the challenges of a more open economy. Better social protection enables workers and entrepreneurs to take more risks and to avail themselves of new opportunities.

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- *Rich Nations Should Increase Foreign Aid* - Evidence shows that private investors can be slow to respond when low-income countries improve their investment climate and social services. It is precisely at this stage when large-scale aid can have a great impact on growth and poverty reduction. Aid should also address the serious health and geographic problems of the most marginalized countries. Foreign aid has fallen to 0.22 percent of donor countries' GDP --its smallest proportion since it was first institutionalized with the Marshall Plan in 1947.

- *Support Debt Relief for Reformers* - Reducing the debt of the most marginalized countries, especially in Africa, will enable them to participate more in globalization and the benefits it can bring. Debt relief is particularly powerful for those countries that improve their investment climate and social services. Debt relief packages are now in place for 25 countries under the enhanced HIPC Initiative for which total committed assistance is estimated at some US\$36 billion. It is critical, though, that further debt relief should not come out of the shrinking pie of foreign aid, which would simply move aid resources around. Debt relief must come in addition to foreign aid.

- *Tackling Greenhouse Gases* - There is broad agreement among scientists that human activity is leading to potentially disastrous global warming, and that these changes in climate will be especially burdensome for poor countries and poor people. The report urges more effective international cooperation to address these problems.<sup>2</sup>

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<sup>2</sup> “Globalization, Growth and Poverty: Building an Inclusive World Economy”, World Bank Press Release 2477, 2000.

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The chief economist of the World Bank gave a speech on November 19, 2000. It is clearly critical of the first world trade policies. A press release of Mr. Stern’s speech follows:

**World Bank Chief Economist Urges Cuts in Rich Subsidies**

**Recent increases "hypocritical and deeply damaging"**

MUNICH, November 19, 2002 - Recent decisions to delay the reform of Europe’s Common Agricultural Policy and to increase agricultural subsidies in the U.S. are egregious examples of rich countries opting to underwrite the status quo rather than using their wealth to support growth and facilitate development, according to World Bank Chief Economist Nicholas Stern.

"It is hypocritical to preach the advantages of trade and markets and then erect obstacles in precisely those markets in which developing countries have a comparative advantage," Stern said, "That hypocrisy does not go unnoticed in developing countries. The recent Farm Bill in the United States and the recent agreement in Europe to delay the reform of the Common Agricultural Policy are deeply damaging."

Stern also discussed the need for policy reforms and stronger institutions in developing countries to increase trade, growth and poverty reduction. "Poor countries suffer from many internal impediments to trade, including bureaucratic red tape and harassment, weak infrastructure, malfunctioning credit markets, and legal and institutional inadequacies," he said. "And many developing countries have protective barriers which are still very high." The World Bank is supporting developing countries' efforts to address these problems, he said.

Stern made the remarks in a lecture at the **Center for Economic studies (CES)** after being named "Distinguished CES Fellow 2002". The fellowship was awarded by Prof. Hans-



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Werner Sinn on behalf of the CES Scientific Council in the Great Hall at the University of Munich. Prof. Sinn said that CES is honoring Stern's contributions and achievements in the field of economics and "his lively engagement in international development."

The CES is an institute within the department of economics at the University of Munich dedicated to international academic exchange. The CES Scientific Council includes a number of renowned international economists. In the first of three Munich Lectures in Economics that he will deliver, Stern argued that successful development rests on two pillars: a climate that facilitates investment and growth, and the empowerment of poor people so that they are able to participate in that growth.

While much of the speech was devoted to changes needed within developing countries, Stern said that openness to trade was an important component of a good investment climate and that many barriers to expanding the trade are not within developing countries' control, Recent U.S. and E.U. decisions to increase agricultural subsidies were "egregious examples, on the home turf of rich countries, of financing the costs of not changing, rather than supporting growth and facilitating development," he said.

The World Bank is stepping up its assistance to developing countries' trade-related activities and recently created an International Trade Department. Last year the Bank lent \$1.2 billion for trade-related projects such as customs reform and improvements in trade financing and insurance mechanisms. The Bank also supports capacity building and trade facilitation through the Integrated Framework for Trade-Related Technical Assistance, which brings together the World Trade Organization (WTO), the World Bank, and other international agencies in support of developing countries' own reform efforts.

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Stern said that addressing developing countries behind-the-border constraints to trade is a key element of both development strategy and a priority for development assistance. Pro-development trade policies in the rich countries would complement these efforts, he said.

Bank research has shown that agricultural subsidies in rich countries of about \$300 billion a year suppress world prices, undermining developing country exports. The subsidies are roughly six times total development aid. A new Bank study found that full elimination of agricultural protection and production subsidies in the rich countries would increase global trade in agriculture by 17 percent, with agricultural and food exports from low and middle-income countries rising by 24 percent. As a result, total annual rural income in these countries would rise by about \$60 billion, or roughly 6 percent.

European subsidies and barriers are, in general, much higher than those in the United States," Stern said. "(Some of the results are bizarre. We see sugar beets grown in Finland whilst poor sugar cane producers and cutters in the tropics struggle to make a living." Stern said that the average European cow receives \$2.50 per day in government subsidies and the average Japanese cow receives \$7.50 in subsidies, while 75 percent of people in Africa live on less than \$2 per day.

The negative effects of rich-country trade barriers and protective subsidies are not limited to developing countries, he said. They waste rich countries' financial resources; raise the domestic prices of food and clothing; and encourage environmental degradation, through increased use of capital-intensive farming that relies heavily on fertilizers and pesticides, he said.

U.S. subsidies to cotton growers alone will total \$3.9 billion this year, three times U.S., foreign aid to Africa. The subsidies hurt

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poor farmers in North and West Africa, for whom cotton is the main cash crop.

Other barriers to developing country exports that Stern cited included protectionist anti-dumping actions, bureaucratic applications of safety and sanitation standards, and textile tariffs and quotas. According to research by the international Monetary Fund (IMF), protected textile markets in high-income countries cost developing countries an estimated 27 million jobs. "Every textile job in an industrialized country saved by these barriers costs about 35 jobs in these industries in low-income countries," he said.

Escalating tariffs - duties that are lowest on unprocessed raw materials and rise sharply with each step of processing and value added-underline manufacturing and employment in developing countries. A Chilean tomato exporter faces a U.S. tariff of 2.2% on fresh tomato exports but nearly 12% if they are processed into sauce. Escalating tariffs help confine Ghana and Cote D'Ivoire to the export of unprocessed cocoa beans; Uganda and Kenya to the export of raw coffee beans; and Mali and Burkina Faso to the export of raw cotton. "These are taxes on development," Stern said.

### **International Consensus for Action**

Despite these obstacles, and the many problems within the developing countries, Stern said that the "optimism and good intentions of a new millennium" had helped to create an international consensus on the Millennium Development Goals (MDGs) adopted at the UN in the autumn of 2000. The goals represent specific targets for improvements in income poverty, health, education, the status of women and girls, the environment, and International development cooperation for the period from 1990 to 2015.

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In Doha in November last year the international community agreed upon a new round of trade negotiations that placed the interests of developing countries at the top of the agenda. In Monterrey, Mexico, last March, rich countries and developing countries reaffirmed their commitment to the MDGs. And the Johannesburg Summit last August looked further ahead to address the challenges of achieving sustainable development and protecting the environment.

"Taken together with past achievements, and what we have learned about development policy, these commitments put us in a strong position to take action to achieve the Millennium Development Goals," Stern said.

The lectures will be compiled in a volume in the ***Munich Lectures in Economics*** series, published by the CES in conjunction with MIT Press. The award ceremony and the lecture are supported by Swiss Re Germany AG and are held in association with the Alumni Club of the department of economics.

Stern became Senior Vice President for Development Economics and Chief Economist of the World Bank in March 2000. From 1994 to 1999, he was Chief Economist at the European Bank for Reconstruction and Development. His academic career has included positions at the London School of Economics (LSE), the Massachusetts Institute of Technology, the Ecole Polytechnique in Paris, the Indian Statistical Institute in Bangalore and Delhi, and the People's University of China in Beijing. He has also served extensively as an economic advisor to businesses, governments and international institutions.<sup>3</sup>

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<sup>3</sup>"World Bank Chief Economist Urges Cuts in Rich Subsidies", World Bank November 2000.

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I used these reports to show that the groups criticized so severely in the world understand the problems. It’s the first world nations that are ignoring it. Now you might ask why the first world nations ignore the advice of their hired experts in the World Bank, the United Nations and the WTO. The answer is politics. Europe has for centuries protected its farmers from cheaper third world foodstuffs. The United States has been doing the same thing since it was founded. First world countries protect jobs and factory profits by the use of tariffs and farm subsidies. They protect factories by putting tariffs on the finished product even though most of the raw materials for the factories are produced in third world countries. The tariffs on finished products make it impossible for Third World countries to compete in world markets. Their raw material goods were kept at low prices for the benefit of the manufactures and consumers of first world countries. The effect was to make first world economies rich and third world economies poor. The examples in Mr. Stern’s speech can be multiplied by the thousands.

Why were the politicians so helpful? Three reasons are local jobs, votes and low consumer prices. You don’t get elected if your electors are unemployed. You don’t get campaign money if your businessmen are not making superior profits. You don’t get elected if you as a politician push for higher prices on consumer goods. Trade issues affect jobs, profits and consumer prices. These issues are not well understood until a U.S. factory is closed and moved to a third world nation or businesses push higher raw material cost onto consumers. Part of the solution is the unraveling of the present trade barriers that hold third world countries back from the world market. The other part is to prepare an economic adjustment plan for those impacted directly.

The current view is that we can grow ourselves out of any thing. This will lead to destruction. The third world has to

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reorient to feed their people first before they export. They have never been given this chance. Once local food is sufficient, they must start with factories to meet local demand, not the demand of markets thousands of miles away. Protection for these paths must be provided by agreements monitored by the new international trade organization. They must build the demand on consumer side of their economy by supplying local jobs

The first world has the knowledge to sort out these adjustments. It must also sort out a new way of conducting world business. If their products are going to be too expensive in the third world, they must find new markets at home. Maybe they have to share their knowledge and partner or get royalties from third world users of it.

Can we break the current destructive trends and policy? Is it worth trying to change? My answer is we must change it. It is the key to our survival as a leading nation in the world.

I want to leave this chapter by giving you the tragic details of a factory workers life in the free trade economy. The newest form of slavery was recently described in an article in Fortune Magazine. It detailed the contract labor abuses that are happening to third world workers. Before we start we must understand a little bit about what is going on in the trade area of globalization. America is the biggest market for consumer goods and in order to satisfy it, companies from the United States and countries around the world seek the lowest cost for producing their goods. The lowest labor cost is in the third world and most manufacturing has moved to these areas. Companies sub-contract their manufacturing to third parties suppliers in a third world country. This supplier sets his own rules and usually the work rules are far different from the work rules imposed in US factories.

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Abuses are rampant and these are for major products sold in the US. Some of the names are Nike, Ericssen, Motorola, almost all the clothes manufacturing, and almost all computer manufacturers. There are child labor abuses, factories blowing up, workers injured and abused. The most recent is contract labor.

Some of the first countries that benefited from globalization have had rising wages as the workers are better organized. Manufacturing companies have frustrated the rising wages by employing contract labor from poorer countries. The workers must sign a three year contract and have a substantial part of their wages withheld until they complete the contract. If they don’t complete the contract they don’t get the withheld wages. They work 12-hour shifts 7 days a week. They pay a job broker three to four month’s wages up front before they leave the country and another broker in the host country. They borrow the money to pay these bribes from a money broker who charges 10% a month interest. They give up more than a year’s worth of income to work 12 hour a day 7 days a week. The employer holds their passports so they can’t leave and they can not stay in the host country after their employment. Women who get pregnant or anyone who gets married to a host country resident is deported. All this is done to keep prices low for the US market. If you discuss this with the country of origin for the immigrant you are told there are laws forbidding the high cost of the brokers. What they don’t tell you is that the law is not enforced (see a copy of Fortune’s article in appendix)

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