

Globalization, international trade and economic essay sample

[Sociology](#), [Poverty](#)



Why richer are getting richer and poorer are getting poorer? Globalization is taken as facilitator of international trade and economic growth. There might be various parameters for the measurement of the connection between globalization, international trade and economic growth that is derived from the mobility of investment, human capital to communication and transportation that fosters interdependency and other forms of economically beneficial and social relationship between countries. In economy each nation sets policy to manage its resources to maximize the benefits of trade for its people. Government makes policy not only concerning trade with other but also the degree to which the state is involved. Government try to optimize it's production level and try to increase GDP with maximum utilization of available resources. In other hand when trade increases between nations, the allocation of resources will redistribute among goods and pricing where countries can experience different transitional cycle of trades. There will be gains and losses perceived for some input factors from the redistribution of wealth. Many economists in today's business world agree that globalization provides benefit to individual economies around the world by making markets more efficient, increasing competition and spreading wealth more equally around the world.

However, still many others assume that the costs associated with globalization outweigh the benefits, which has caused many problems. Growing income inequality and widening gap between richer and poorer are major problems seen in today's world economy. In free international trade, the capital and the technology can flow across political borders.

Redistribution of these resources will improve the efficiency of the output

and increase the income worldwide. On the contrary, another point is liberal economic globalization widens the income gap not only between countries but also within countries. Globalization has not only fostered the economic growth but it has also widened the gap between rich and poor people. The World Bank defines inequality as the disparity of income and standard of living among nations and their citizens (Birdsall, 2002). To compare inequality among nations, incomes and living standards of their citizens should be reviewed. The World Bank has determined that people living on \$1 per day in developing countries and people living on \$2 per day in medium economies are considered poor (Infoplease, 2005). In contrast to the \$1-\$2 per day standard, in the United States, Japan, Europe or other developed nations, a person trying to live on less than \$1, 000 per year is unimaginable because the cost of living is many times this amount. The income gap that exists between rich and poor counties has become substantial.

There are many reasons for economic inequality within nations and societies, and they are often interrelated. There might be several factors like inequality in wages and salaries, the income gap between highly skilled workers and low-skilled or no-skills workers, wealth concentration in the hands of a few individuals or institutions etc. A major cause of economic inequality within modern economies is the determination of wages by the capitalist market. In the capitalist market, the wages for jobs are set by supply and demand. If there are many workers willing to do a job, there is a high supply of labor for that job. If few people need that job done, there is low demand for that type

of labor. When there is high supply and low demand for a job, it results in a low wage.

Conversely, if there is low supply and high demand (as with particular highly skilled jobs), it will result in a high wage. The gap in wages produces inequality between different types of workers. In other hand the rich get richer and the poor get poorer due to economic factors which might be unrelated to globalization, typically dependent on the type of work they do, how much they started with initially, and the economic system they currently inhabit. The economic and political system an individual is subject to is more important in the accumulation of wealth. Undoubtedly, some can claim that globalization has led to the exploitation of cheap labor by corporations in undeveloped countries. The exploitation of cheap labor is a result of the failure of a government to protect it's people which is most common in underdeveloped countries. In this way globalization encourages to use tools of economics and politics to exploit market opportunities, boost technological productivity, and maximize short-term material interests which will in turn increase inequality between the affluent and the poor.