Report on globalization

Technology, Development

Abstract

This paper evaluates the argument that globalization has contributed to widening global inequity. It reviews economic factors that drive globalization. These factors include international migration, policies governing globalization, and international trade. Different countries experience different impact of globalization thus creating the discrepancies. Taking into account the historical development of the global economy, the paper analyzes how different historical events have significantly shaped the impact globalization has had to the both the global and national economies.

The economy of the world has continued to have disparities over the last century. Globalization is said to have increased inequality between different nations but reduced inequality within nations. Big gainers of the positive impact of globalization were the countries that had aligned their policies to make proper use of globalization. Poor countries gained more when they changed their policies compared to developed countries. However, countries that did nothing with regards to aligning their policies did not gain anything. Income gap between nations experienced a dramatic increase from the early 19th century. The increase slowed down in the mid 20th century and the main reason for this is the globalization market factors and commodities. This was however only witnessed in the nations that integrated their national economies to the global economy.

During the First World War, International trade and movement between countries d contributed to a decline in global economic disparities. This was witnessed in countries that had within labor abundant. For countries with scarce labor, globalization in terms of international trade and movement between countries did not lead to increased inequalities. Even after the war, globalization continued to cause economic inequalities although movement between countries had reduced. Despite the trends witnessed in the world economy in relation to inequalities caused by globalization, it still remains that there can never be full elimination of inequality. The global economy is heading towards a complete integration but still inequality would be part and parcel.

There are two factors that contribute this disparity in the global economy: within country income and between country income. These two factors have to be considered separately. The impact of globalization to intranational inequality is different from the impact of globalization to international inequality. The inequality between nations is determined by the per capita incomes where as the inequality within nations is determined by factor prices and the connection between the size of income and factor prices. Other factors that come into play include the distribution of population and policy response.

Global economic inequality is impacted differently by the various sources of globalization. Currently, globalization is mainly driven by policy responses since policies have a crucial role to play in the distribution of world income. In the past, policy responses did not influence the globalization. Factors such as transport revolution, improvement in productivity, and rise in potential gains were the main factors leading to distribution of income. Both participants and non participants have different experiences on the effects of globalization events. This means that effect of globalization to participants in globalization is hugely different to the effect on the nations that do not participate. Similarly, the impact of globalization to the participating countries is different from the overall impact of globalization to the world. Countries that fully integrate into the world economy have some signs of convergence in their income where as for the countries that are isolated from the world economy, their income tends to diverge. Furthermore, when the active participants and the non-participants interact, there is a clear sign of divergence. Globalization presents numerous economic opportunities. These are the opportunities that when countries decide to make policies that will exploit them, the countries will experience success economically. However if a country decides otherwise by choosing not to make the policies, it will not experience the full impact of globalization. This is when inequality in the global economy is created. Currently, fast developing countries such as China, Brazil, and India are achieving significant development in their economy since they have embraced policies that exploit the positive effect of globalization. However, less fortunate countries will continue to experience a high rate of poverty and thus raising concern whether globalization serves its intended purpose.

Factors such as increase in foreign trade and investments constitute the globalization concept. Developed and industrialized nations make foreign direct investments with developing countries. They tend to achieve massive return out of the investments making them richer while the developing nations continue to be a stagnant state. The sub Saharan region specifically continues to have rise in poverty rates while they have opened their markets to the outside world. The main issue is that they consume of the trade items from other countries in plenty with little influence of their own goods in the global market.

There are other indications of the increasing inequality between nations. The technology of the internet is something that revolutionized the industrial and developed countries. This technology depends primarily on electric energy for people to be able to use it. However, poor countries still experience a significant problem in providing electricity to the majority of their population. It is therefore hard to initiate IT projects in poor countries because certain basic issues need to be solved first. The global supply chains created by large retailers provide a wide variety of cheap and affordable exotic foods. This is in the midst of millions of people in poor nations who still experience hunger.

Economists argue that these disparities between nations were mainly created in history after the global wars and economic depressions in the first half of the 20th century. The states which emerged victorious from these historical events developed a more controlling and inward look that closed other economies. The whole idea of privatization locked out many individuals who had no means to of affording certain services such as education and health. Even though there has been growth of the economies in poor nations, there is still increasing intranational inequality in the economies. Such countries experience internal economic disparities. For instance, there are an increasing number of the urban elite but in the rural areas, people continue to experience lack of development. For instance, a country like India is a fast developing country. It experiences success in its economy and the impact it has on the global economy. However, the country still harbors a significantly large percentage of the world’s global poor people. It therefore boasts of a global industrial power and at the same time having a majority of its population living under extreme poverty.

The nationals in developed countries, who experience success in terms of education and career, would undoubtedly be selective in labor. This means that some types of jobs would lack labor force from the nationals allowing room for migration of people from poor and developing nation to come into the developed world to occupy those rejected positions. The industrial nations also create opportunities that allow foreign laborers to work in their countries and develop their cultures. Remittances, money sent home by the foreign laborers has recently become a new means of measuring the performance of global economies because this money sometimes exceed aid sent to developing countries by the rich nations.