

Globalization's impact on poverty



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Globalization is the process by which regional economies, societies, and cultures have become integrated through a global network of political ideas through communication, transportation, and trade. The term is most closely associated with the term economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, the spread of technology, and military presence.

It can also be referred to a process of increasing the connectivity and interdependence of the world's markets and businesses. This process has speeded up dramatically in the last two decades as technological advancement make it easier for people to travel, communicate, and do business internationally. Understanding the current status of globalisation is necessary for setting course for future. For all nations to reap the full benefits of globalisation it is essential to create a level playing field.

On the other hand, Poverty is the lack of basic human needs, such as clean and fresh water, nutrition, health care, education, clothing and shelter, because of the inability to afford them. Poverty is additionally seen as a state of mind and a lifestyle- more than just a lack of materials. It is a state of deprivation and insecurity. Poverty can also mean deprivation in the well-being of an individual and comprises many dimensions. It includes but not limited to low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services inadequate housing; unsafe environments and social discrimination

and exclusion. There are two types of poverty namely; Absolute and relative poverty.

Absolute poverty quantifies the number of people in a certain population below a fixed real poverty threshold . it is a level of poverty as defined in terms of the minimal requirements an individual needs to afford minimal standards of basic needs like food, clothing, health care and shelter. Relative poverty is the condition of having fewer resources or less income than others within a society or country, or compared to worldwide averages.

Impacts of globalization on poverty in less developed countries

According to Chandrasekaran Balakrishnan(2004), Globalisation is a buzzword that is seen to have dominated the world since the 1990's of the last century with the end of the cold war and the break-up of the former Soviet Union and the global trend towards the rolling ball. The frontiers of the state with increased reliance on the market economy and renewed faith in the private capital and resources, a process of structural adjustment spurred by the studies and influences of the World Bank and other International organisations have started in many of the developing and less developed countries. Globalization has therefore depicted both positive and negative results; as the less developed countries economies are greatly influenced by the developed nations

Globalisation and Poverty:

Globalisation in the form of increased integration through trade and investment is an important reason why much progress has been made in

reducing poverty and global inequality over recent decades. But it is not the sole reason for the unrecognised progress. Good national policies, sound institutions and domestic political stability also matter. Despite this progress, poverty remains one of the most serious international challenges we face up to 1.2 billion of the less developed countries, 4.8 billion people still live in extreme poverty.

But the proportion of the world population living in poverty has been steadily declining and since 1980 the absolute number of poor people has stopped rising and appears to have fallen in recent years despite strong population growth in less developed countries. If the proportion living in poverty had not fallen since 1987 alone a further 21.5 million people would be living in extreme poverty today.

Globalization generally reduces poverty because more integrated economies tend to grow faster and this growth is usually widely diffused. As low-income countries break into global markets for manufactures and services, poor people can move from the vulnerability of grinding rural poverty to better jobs, often in towns or cities. In addition to this structural relocation, integration raises productivity job by job. Workers with the same skills—be they farmers, factory workers, or pharmacists—are less productive and earn less in developing economies than in advanced ones. Integration reduces these gaps. Rich countries maintain significant barriers against the products of poor countries, inhibiting this poverty-reducing integration. (World Bank Policy Research Report).

One possible solution for such a crisis remains the closer integration of countries through trade. Brought about by enormous decreases in transportation and communication costs as well as the break down of many artificial barriers of trade, globalization of industry provides developing countries with the resources and capital to aide economic problems. By “ increasing the integration of national economies into expanding international markets (Todaro 796),” less developed countries are provided the opportunity to advance through the outside purchase of technology and industry as well as the trade that follows.

Globalization also produces winners and losers, both between countries and within them. Between countries, globalization is now mostly reducing inequality. About 3 billion people live in “ new globalizing” developing countries. During the 1990s this group grew at 5 percent per capita compared to 2 percent for the rich countries. The number of extreme poor (living on less than \$1 per day) in the new globalizers declined by 120 million between 1993 and 1998. However, many poor countries—with about 2 billion people—have been left out of the process of globalization. Many are becoming marginal to the world economy, often with declining incomes and rising poverty. Clearly, for this massive group of people, globalization is not working. Some of these countries have been handicapped by unfavorable geography, such as being landlocked and prone to disease. Others have been handicapped by weak policies, institutions, and governance; yet others by civil war. (Chandrasekaran Balakrishan(2004).

The positive aspect of globalization

Globalization has created the concept of outsourcing. Work such as software development, customer support, marketing, accounting and insurance is outsourced to less developed countries like Tanzania. So the company that outsourced the work enjoys the benefit of lower costs because the wages in less developed countries is far lower than that of developed countries. The workers in the developing countries get employment. Developing countries get access to the latest technology(Prabhakar P illai).

Increased competition forces companies to lower prices and in the long run benefits the end consumers in the third world countries. An example is the telecommunication industry, where many many international firms have ventured in the local market and as a result there has been increased competition thus lowering of calling rates.

Increased media coverage draws the attention of the world to human right violations. This leads to improvement in human rights. For instance civil wars in Sudan, DRC Congo and many other less developed countries has led to the drawing of humanitarian support from world bodies like the UN agencies who provide basic needs and security during such periods.

In addition, Globalisation has brought in new opportunities to less developed countries. Greater access to developed country markets and technology transfer hold out promise to improved productivity and higher living standard. The improved standards of living means improved wellbeing of the population. in the less developed countries.

The negative effects of globalization

Less developed countries have outsourced manufacturing and white collar jobs. That means less jobs for their people. This has happened because manufacturing work is outsourced to developing nations like China where the cost of manufacturing goods and wages are lower. This in turn has led to increased poverty in this countries due to limited job opportunities .

Programmers, editors, scientists , accountants and other professionals have lost their jobs due to outsourcing to cheaper locations like india.

Globalization has led to exploitation of human labor. Prisoners and child workers are used to work in inhumane conditions. Safety standards are ignored to produce cheap goods. This has led to working in risky environments which endangers their health thus they use more of their little income on health . so instead of acquiring other basic needs they instead channel all the resources on acquiring health care thus increased poverty.

The competition in the job market due to globalization has led to Job insecurity. Earlier people had stable, permanent jobs. Now people live in constant dread of losing their jobs to competition. Increased job competition has led to reduction in wages and consequently lower standards of living. Due to globalization, people work from internet in various locations hence reducing the opportunity to enable others work.

Globalization has led to the exploitation of less developed countries . this is because, Companies have set up industries causing pollution in countries with poor regulation of pollution. This has led to air, water and soil pollution.

Thus poor health among the inhabitants of such countries. This reduces the productivity of the people and thus poverty sets in.

Another negative aspect of globalisation is that a great majority of less developed countries remain removed from the process. Till the nineties the process of globalisation of less developed economies was constrained by the barriers to trade and investment, liberalisation, investment and financial flows initiated in the nineties have progressively lowered the barriers to competition and hastened the pace of globalisation countries.

Conclusion

Though globalization does not on average increase inequality within countries, it disguises the reality that there will be specific winners and losers in each society. Good social protection policies can be a key factor in helping people prosper in this more dynamic environment. Therefore, for the Less developed countries to have a stake in the global economy, they have to concentrate on five important areas to achieve their goals. The areas like technological entrepreneurship, new business openings for small and medium enterprises, importance of quality management, new prospects in rural areas and privatisation of financial institutions. The manufacturing of technology and management of technology are two different significant areas in the country.