

Elaborate and explain  
the impact of  
globalization  
economics essay



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Globalization is a process which allows for the entire world to get closer than it otherwise tends to be. This can be seen by the extensive growth and the development of the many multinational firms which tends to bring societies and economies much closer than they normally tend to be. Another example of globalization can also be the extensive growth of multinationals such as mc Donald's all around the world. Apart from this an increasing growth of communication networks such as the internet is another instance elaborating upon the extensiveness of globalization. In addition to this, another example can be the terrorists' attacks of 9/11. Apart from this the spread of diseases such as AIDS and improvements in technology saving lives all over is yet another example of globalization.

There may be numerous explanations to elaborate and explain the impact of globalization. In particular there are about two main schools of thought which may elaborate upon the impacts which globalization may have upon the world economy. The fist school of thought referred to as liberalism is explained to be the opinion which has a belief that an increasing level of globalization is not good for the economy. according to this perspective globalization implies that the richer become and continue to exploit the poor and get richer and on the other hand the poorer continues to being exploited and get even poorer than the normally are.

However, this opinion may be subject to criticism by a number of those who believe that a growing amount of globalization may be desirable for the economies. Perhaps one of the many explanations to support this can be the economic theory of absolute and competitive advantage. According to this theory, there may be a growing level of output in the world economy if the <https://assignbuster.com/elaborate-and-explain-the-impact-of-globalization-economics-essay/>

countries around the world produce only the output which they are good and have a competitive advantage producing at. Therefore, according to this theory, if India is good at producing cotton while Japan is good at machinery, then it should be ensured that India only produces cotton and Japan machinery and then trade is ensured to allow for a greater level of output. This theory of comparative advantage helps to support and ensure a greater world output by globalization and greater exchange.

## **Globalization**

### **Definitions**

There are numerous ways and means by which people have sought to explain globalization. Some of those definitions to explain globalization are as follows:

1- Kiely ET. Al said: “ Globalization refers to a world in which societies, cultures, politics and economies have, in some sense, come closer together.”(Kiely et. al, 1998, p. 3).

2- Economic dimension. The concept of globalization has emerged since the 1990s and can be defined in various ways. Giddens (1990) defined globalization as “ the intensification of world-wide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa.”(Kiely et. al, 1998, p. 3).

3-Tom J. Palmer of the Cato Institute defines globalization as “ the diminution or elimination of state-enforced restrictions on exchanges across borders and

the increasingly integrated and complex global system of production and exchange that has emerged as a result

4-Saskia Sassen writes that “ a good part of globalization consists of an enormous variety of micro-processes that begin to denationalize what had been constructed as national – whether policies, capital, political subjectivity, urban spaces, temporal frames, or any other of a variety of dynamics and domains

5-the United Nations ESCWA has written that globalization “ is a widely-used term that can be defined in a number of different ways. When used in an economic context, it refers to the reduction and removal of barriers between national borders in order to facilitate the flow of goods, capital, and services and labor... although considerable barriers remain to the flow of labor...

### **-World Bank, IMF, WTO role in making international policy in markets ((globalization))**

It is important to note that the role of the World Bank, the IMF and the WTO is important when it comes to the international markets. these international organizations are in continuous collaboration with one and other to form allow and encourage globalization which in turn tends to be the basic and the most widespread institution of the world today (ARMITAGE, 2005). Apart from this, there are a number of other aims and objectives of the three collaborating organizations. One of such other aim of the organization is also to allow for poverty alleviation. There are a number of programmes launched by an active collaboration of the World Bank the IMF and the WTO to remove poverty in a number of countries around the globe. This is particularly

achieved by calibrating with the local government. In this regard there are a number of poverty reduction strategy papers.

These papers are prepared by country authorities...to describe a comprehensive economic, structural and social policy framework that is being implemented to promote growth and reduce poverty in the country.' (IMF 2005c.)

However, it is important to know that the functions and the work of the three organizations may not always be in black and white. It might be difficult to allow for the distinction to take place and the differences in the various tasks that are usually performed are on mere ideological basis. Although there is no doubt that the three institutions play a major role in the entire world's economic conditions, it may be questionable as to how they function, and in particular whose side or support they stand for. It may be that their stance may be different than what appears to be at the face of it. One of the many opinions or school of thought in regards to this issue maybe the Marxist school of thought. As per the Marxist school it may very likely be that the US government tends to use these institutions in order to allow for a greater domination and a greater expansion of theory state power. in other words they may use it as a means to exercise their global dominance and sustain it for a long period of time (Held and McGrew 2002: pp 62.) their argument suggested that the many plans by the US to help and aid the other relatively poorer countries are merely attempts by the US to ensure that there is no mass scale upheaval and protest in relation to the unequal policies and strategies used by the US. This can in particular be seen and evaluated by the liberal-capitalist model. (Held and McGrew 2002: pp 62)

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On the other hand globalists may completely differ in their stance towards the three organizations. According to them, globalists believe that the arguments of the globalists maybe at fault. It might as well be that the three organizations are actively serving to indeed help and alleviate poverty. The fact that the organizations have been collaborating with the NGOs and the local government along with the trade unions and charitable organizations are aspects which tend to support the positivist bought by the three main world organizations.

### **-the globalization in neo-liberalist theory**

Neo liberalism refers to an increasing amount of focus upon the allocation of resources from the private to the public sector. In other words, there is an increasing emphasis upon consumerism, an increasing amount of efficiency and a greater level of output in the private sector. When considering an amalgamation of the globalization in the economy with respect to the neo liberalist theory, there has to be two issues which are essentially important to be taken into consideration. First and fore mostly is the increasing amount of effect that globalization has upon the government policies which often tend to ensure that their respective countries are not completely surrendered towards globalization. Globalization and Social Policy wordnetweb. princeton.edu/perl/webwn)

2-The rate of change in output from the current year to the next year.

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## **The role of globalization in the factors of economic growth (positive)**

Income distribution: there may be arguments and an evidence of materials especially the one by the World Bank to argue that an increase in globalization has reduced the income inequalities of the world. This in particular can be seen by the fact that the countries which are the most globalize tends to have the least inequality in its distribution of income and wealth.

Quality of life: there is a general belief that an increasing level of globalization is directly related to improving living standards of the world. This may be possible due to an extensive level of exchange in technology. For instance, the development of any life saving drug may seek to increase the living standards of the general world population.

## **The role of globalization in the factors of economic growth (negative)**

A. Quality of life: however, it may not necessarily be that an increase in globalization would definitely improve the life quality. An example might be that of tourism. It may be useful to assume that globalization has lead to an increasing amount of tourists but then it might a swell be that the loss of the traditional simple and happy lifestyle of perhaps a fisherman is no more the case and has been completely altered. In this case globalization has had a negative implication on the living standards if the people.

B. Consumerism it has also been held that an increasing amount of globalization may also lead to an increasing level of consumerism which

refers to an excess of wants then what is required or a good living. This may mean that the consumers may become excessively dependant on such goods to attain a desirable living standard.

C. Equitable Growth it is also important to note that an increasing amount of globalization may not always be beneficial to the economy. There may be a need to have a more sustainable growth but perhaps due to the increasing pressure on natural resources and the need for it to being conserved for the next generation. However, if sustainable growth in the economy is not achieved as it might be in the case of industries developed at a fast rate then this may lead to an increasing amount of difficulties for the future.

### **How can globalization promote economic growth?**

Globalization may have increasing amount of impacts on the economic growth of the country. It may directly seek as a means of living due to perhaps employment of people in multinational companies. this holds especially true for the developing countries where these multinational seek to allow for employment and also lead an n= increasing amount of investments into the country. This may in particular; ad to economic growth and maximize the output of the country. Apart from this, increasing demand for local goods by the foreigner may also be helpful in increasing the level of output ad income in the economy.

### **What is the relation between economic growth and globalization?**

The countries that attempt the globalization policies in their life style they has faster economic growth. Examples can be found among Chinese, Indian



states, and the countries of Bangladesh and Vietnam. On the other hand some countries were failed, such as Afghanistan or the Democratic Republic of the Congo in embarking the globalization strategies like some domestic reforms, many social service provision. Worldwide act, that provided access to foreign markets, technology, and aid.

## **\*\*Poverty reduction:**

### **Introduction**

Even today more than one fifth of the world's population lives on less than \$1 per day. Moreover, there is still poverty spreading out in several developing nations. This is a major concern for many particularly because world statistics indicate that 6 billion people, 2.8 billion live on less than \$US2 a day, and 1.2 billion live on less than \$US1 a day, while more than 800 million people are said to be malnourished (WDR 2000-2001). Moreover, the world population comprising the poor is very unevenly spread out with about one fourth of the population centered on Asian region comprising just seven countries (Bangladesh, Bhutan, Burma, India, Nepal, Pakistan and Sri Lanka). An approximation indicates that there might be around 800 million poor people lining in these areas. (Rasul 1997: 51). Thus, poverty for such nations may be a crucial aspect and forms their primary priority to be solved.

### **Definition**

Poverty is one of the greatest hurdles the world could ever face. Despite many attempts o eliminate it still remains a crucial concerns amongst many nations. It can be seen as one of the issues which tend to hinder development, particularly amongst the developing nations. Even amongst

the developed nations it still continues to be problematic as it is still prevalent there. Social and economic problems such as unemployment, illiteracy, malnutrition, diseases, bad housing, and lack of access to social services are often found to correlate and coexist with poverty. And as these problems imply that individual find it difficult to lead an easy life. In other words poverty implies malnutrition; lack of shelter; being sick and not being able to see a doctor; literacy; unemployment fear of the future, living one day at a time; powerlessness, lack of representation and freedom. These are the many problems of poverty which should be sought an escape from.

(NCHADI MOFALADI, 2005) ((Shorter and paraphrasing))

Another definition by the World Bank study “ In the present state of our understanding of the poverty syndrome, there is no theoretical framework within which poverty can be satisfactorily explained in its entirety”

Other definition The UNDP (1997: 2) “ defines poverty as denial of choices and opportunities for living a tolerable life”. On the other hand also poverty can be defined as “ the situation, which impedes an individual or a family to satisfy one or more needs and to participate fully in social life”. (Morales 1994: 16). These needs include health, education, housing, social security, and basic communication etc.

## **Causes of poverty:**

### **Take in general**

### **The positive impact of globalization in poverty reduction**

Economic integration has positive effects on growth and poverty reduction, especially within a developing economy. In short, as Kiely et. al (1998)

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presented, as three main aspects of globalization, international trade, capital flows as well as transnational corporations have good and favorable impact on poverty. These positive implications of globalization for poverty are respectively analyzed in details as followed.

### **The negative impact of poverty reduction**

Attempts and programmes to low for poverty reduction may imply that help provided to the poor perhaps by allowing for better housing facilities or so may make them inefficient and they may start to rely more and more and increasingly upon the state and the NGOs for help.

### **How can the globalization reduce the poverty?**

f~ Economic globalization reduces poverty and income inequality

neo liberal economic globalization strongly believe that globalization is a ‘benign force’ for social transformation, which through free trade and capital mobility is creating a global market, civilization in which prosperity, wealth power and liberal democracy are being diffused widely in all direction of the globe.

The IMF also helped to allow for poverty alleviation. In this regard the loans to remove poverty came not from the IMF but from the commercial and investment banks in the private sector. The increasing OPEC oil prices had allowed for a greater amount of cash to be in flowed into the banks and these were landed to the developing countries to allow for a greater amount of loans and to earn heavy interest. However, these plans were soon failed because the developing countries failed to progress with the loans that they

were given. Rather, they found it difficult to return back the loans. This had been due to the high oil prices due to which the balance of payment has gone into a deficit and soon they were out of cash. At this point in time when the debts were no longer being services, the IMF stepped in allow for loans to these nations directly. An oil fund was also set in to allow for money to the developing nation.

## **Case study**

### **Comparison between the case studies**

#### **5. 1. Introduction:**

The table below would seek to outline the comparison of the developing and globalize countries and would explain how the many globalize countries have developed extensively due to their globalization policies. The growth rate and whether the countries adopt globalization have also been mentioned.

Note that the growth rates for the year 2009 have been given:

Country globalize growth rate

Thailand yes 5%

Congo no 3%

Malaysia yes 6. 1%

China yes 8. 7%

India yes 6. 5%

Kenya no 3%

In the early 1980s China was among the poorest countries with more than 60 percent of its population living on less than \$1 a day. However, now China is considered to be the most striking recent example of success story of globalization. China's poverty was cut in half by 1990 and in half again by 2001. In China, life expectancy rose by four years, from 66. 8 to 70. 7 years from 1980 to 2002, and infant mortality fell from 49 to 32 per 1000 live births (WB, WDR, 2005).

China now has become an important trade power in the world. The share of Merchandise trade in GDP has increased significantly during the 1990s and reached 60. 1 percent in 2003 as compared to 32. 5 percent in 1990. The annual average Growth rate of export of goods and services is about 27 percent in 2003 and 2004.

Similarly, the import growth was about 25 percent in those years. In spite of china's perceived success which is captured by an increase in growth as attributed to globalization, the debate still exist as to the need or relevance of Globalization for developing countries. This leads to the following research questions stated below.

The last 4 decades of internationalization in Thailand manufacturing has become increasingly dominant.

The " more globalize countries": China, Argentina, Malaysia, Mexico, the Philippines, Thailand, China, India, Nepal, Côte d' Ivoire, Rwanda and Haiti: These countries have all undertaken reforms perceived as positive, such as investment liberalization, stabilization and property rights.

## Conclusion

The mainstream view also argues that if a poor country wants to catch up with the rich country, it should become more global into the world market, which is manifested through opening up its borders, reducing tariff rates, attracting foreign capital, and so on.

Thus it can be seen that by globalizing the countries would definitely have a better advantage and a greater deal of earnings than it would otherwise have if it does not globalize and operates in a closed economy. Operating in a closed economy would imply that the country refuses to trade. Note that in such a case the three organizations, namely the world trade organization (WTO), the international monetary fund (IMF) and the World Bank would not be very appreciative of the foreign policy and the fact that an increasing amount of protectionism is being applied by the country. This in turn would mean that in case the country gets into any state of economic recession or is perhaps hastened by poverty or any other such problem it might as well be less likely for these organizations to lend a helping hand to the country. This in turn may prove to be a genuine concern for that particular country, especially when looking at it in case of any possible trouble.

However if we compare this issue to that of a country which tends to be a globalize it can be seen that globalization tends to portray a very favorable and good image of the country. For instance, let us look at India as an example. After coming out of the increasing amount of protectionist policies that the country had, it could be seen that India entered a new phase of development. Perhaps one of the best and greatest advantages that India had after it started globalizing was that of tourism. Tourism in India helped <https://assignbuster.com/elaborate-and-explain-the-impact-of-globalization-economics-essay/>

the country earn an increasing level of foreign exchange and also let it to develop. However, tourism is just one of the many advantages which globalization brings with it. One of the other great advantage that globalization tends to bring with it also tends to be that of an increase exchange of information and data all across the world. Thus any improvements in technology in one corner of the world can very easily be available and accessible to the other part of the world. An example of this can be the development of the GPRS system of technology or what is commonly also referred to as the global repositioning system of technology. This means of sharing information all across the globe was possible only through an extensive level of globalization all across the world.

Not only has this, but globalization helps and promises bettered living standards to each and every inhabitants of the world. One of the way in which it is done so by allowing a far greater level of goods and services to be available to individuals all over the world. for instance, if as fruit such as strawberries are not grown or available in India, then globalization and an extensive level of world trade ensures that those goods and services which in this case tends to be the fruits is made available to other.

Another way of an improvement in the living standards can be seen by the way there are more and more services available to all the countries as a result of globalization. thus for instance, if a [particular country lacks educational facilities, globalization makes in easier and more convenient to avail those facilities. an example of such a service can be the cie examination service which have been spreading out to an increasing amount of countries across the globe. although initially just set up for the UK, <https://assignbuster.com/elaborate-and-explain-the-impact-of-globalization-economics-essay/>

globalization allowed an increasing number of individuals to avail the examination services and therefore this allows for an important indicator promising better living standards.

Another such practical advantage which can be closely seen as a result of globalization can also be that of Dubai. Initially exporting mainly oil, Dubai learned to expand and allow more tourists into the country, thereby allowing an increasing inflow of investments to enter within the country. This in turn helped up to boost the markets of Dubai and led to an increasing level of foreign investments. these investments indeed proved to be very helpful for the economy of Dubai because following this investment there was an increasing level of growth in the country even after the economic recession which took place all across the globe.

Apart from this, there is also another issue of recognition. It is most commonly held that the countries which tend to be more globalized have a greater cognition in the international economy. As a result these countries often are supported and favored when there is any international issue coming up and the particular economy needs lot of support. On the other hand, an economy which lacks in it the element of globalization and tends to keep to it would have a greater difficulty in trying to maintain up to its image and gain an increasing amount of support internationally.

However, if we compare these advantages that a globalize nation has against those which a no globalize nation often tends to have it can be seen that a globalize nation has a stronger support form the international organization and thus has a lesser chance of not receiving any help from



internationally. Not only this but the relative advantages which a globalize nation tends to have in comparison to a nation which is not at all globalize implies that globalization has far greater benefits than those which otherwise appear of to be.

After seeing the difference between the global and less global countries it has been obvious that globalization have many benefits to all especially to reduce poverty and on promoting economic growth for every one developed countries and un developed ones ( the third world).