

Causes of globalization

[Economics](#), [Macroeconomics](#)



Causes of Globalization While it is true that state ventures (or adventures) have at times driven the process, e. g. the colonial conquests, the globalization process has largely reflected market forces, specifically, the exploitation by large and smaller businesses in the world of benefits from trade in commodities, goods, services, capital, and even labor, and of opportunities for new investments and markets. The process of global economic integration was perpetrated at the behest of World War II, when the leaders of Britain and the US helped establishing the World Bank and International Monetary Fund in 1944 to promote a liberal, capitalist world to counter the shadows of Socialism and Marxism. The loans are granted by IMF and WB on the condition that the borrowing country will reduce the state's role in the economy, lower barriers to imports, remove restrictions on foreign investment, eliminate subsidies for local industries, reduce spending for social welfare, cut wages, devalue the currency, and emphasize production for export rather than for local consumption. Such conditions imposed laid the basic foundation to open economies to steer the mechanism of economic integration giving birth to the World Trade Organization. By mid 1950s Pakistan had become a favorite candidate for receiving the benefits pledged by President Truman, having joined the network of international defense treaties with the United States. It marked the beginning of an enduring trend in Pakistan to follow every one of the strategies of development devised successively in Washington and promoted globally. Pakistan's own Dr. Mahbub-ul-Haq called this trend the pursuit of " development fashions" and listed it among his " seven sins of economic planners." Before development theory and practice could be redesigned in any significant way to address

the lingering issue of social justice it was literally hijacked to serve the agenda of a more aggressively mobile global capital which aimed at a deeper integration of all national economies into the structures and ideological framework of neo-liberal globalization. Foreign debt is the main lever used by donor countries and multilateral aid organizations to break resistance to the imposition of external economic agendas and development policies. Claimed Benefits of Globalization World has discovered new trade routes and improved the technology of transport to obtain the benefits from the process of openness. Openness to foreign direct investment can contribute to economic growth by stimulating domestic capital formation and improving efficiency and productivity, as a result of greater access to new technologies. Increased competition and access to the domestic financial system by foreign banks may improve the effectiveness of the intermediation process between savers and borrowers, thereby lowering markup rates in banking, as well as the cost of investment, and again raising growth rates. Financial openness helps to lessen asymmetric information problems and to reduce the fixed costs associated with small-scale lending; it can enhance the opportunities for the poor to access the formal financial system. It is widely accepted that openness has long been seen as important element of good economic policy and trade liberalization as necessary step for achieving it. Trade liberalization process often works as an instrument to combat poverty: it usually tends to increase not only incomes but also provide some additional resources in order to overcome the issue of poverty. Globalization or trade liberalization in general is being found to increase economic opportunities for consumers and producers and to raise earnings

for workforce and that under greater openness to trade, resources tend to be reallocated towards productive activities and away from less efficient activities. Foreign Direct Investment (FDI) is well attracted by openness to the free flow of capital, which then stimulates domestic investment and contributes to employment generation and economic growth. Financial openness also helps to increase the depth and breadth of domestic financial markets, leading to increased efficiency in financial markets through lower costs and improved resource allocation. The Consequences of Globalization

Mainly, the general views about globalization can be categorized into four main perspectives that are economic, technological, development, and societal respectively. The Economic Perspective: of globalization is the growth of world trade as a proportion of output (the ratio of world imports to gross world product, GWP, has grown from some 7% in 1938 to about 10% in 1970 to over 18% in 1996). It is reflected in the explosion of foreign direct investment (FDI): FDI in developing countries has increased from \$2.2 billion in 1970 to \$154 billion in 1997. It has resulted also in national capital markets becoming increasingly integrated, to the point where some \$1.3 trillion per day crosses the foreign exchange markets of the world, of which less than 2% is directly attributable to trade transactions. The Technological Perspective: involves Information Communication Technology (ICT) what explains this globalization? It certainly lies in the development of technology. The costs of transport, of travel, and above all the costs of communicating information have fallen dramatically in the postwar period, almost entirely because of the progress of technology The Development Perspective: is the most controversial and important of all. It touches the heart of dichotomy

which today globalization phenomenon faces. It tries to find the clues of the increasing divide between the rich and the poor, the existing cleavage between the ICT haves and have-nots, under the umbrella of one world concept of integrated markets and capital flows. Above all it challenges the greatest protagonists of globalization, the global institutions of World Bank, IMF, and even WTO one hand. On the other it has created a massive wave of antagonists threatening the industrial nations through anti-globalization relays, protests, and strikes. The Societal Perspective: focuses on some key factors which have become pivotal to ensure the longevity of success of developed nations and that are their sensitivity to the community, cultural norms, and environmental care. This includes the condition of human rights, women empowerment, gender sensitization, civic education, status of women in the society, political status becoming more democratic, freedom of speech, rule of law, equal access to resources and level of education. Globalization is also a key to future environmental changes. Decisions made by the private sector, in its search for comparative advantages, are increasingly affecting where and how people live and work. Globalization is having a major impact on population migration, population distribution, particularly through accelerating urbanization trends, and growth of mega-cities. These population changes are in turn impacting on security, governance, poverty, health and environmental factors Globalization research raises many questions with respect to contemporary forms of power--economic, political, cultural--as well as strategies to challenge power and promote alternatives. To what extent do globalization processes produce global convergence, for example, towards economic insecurity? Do local

conditions produce "varieties of globalization" at local levels? Are states overwhelmed by corporate power? To what extent do states shape the new global economy? With respect to questions of resistance, in what ways do globalization processes facilitate or constrain new opportunities for collective action? In the age of transnational corporate institutions.