

Global economics and poverty essay examples

[Business](#), [Marketing](#)



Question 1

International trade has enabled countries to benefit from specialization in products and services in which they have a comparative advantage over other countries. Globalization has helped developing countries to increase their share of world trade because international markets provide businesses with many consumers for their products and services.

Globalization has also increased capital movement in case of shortage in one country. Businesses are in a position to take advantage of lower raw materials and labor costs overseas to manufacture goods and provide services, thereby increasing sales, lowering costs, and increasing profits. Producers from developing countries can take advantage of trade agreements and favorable exchange rates to compete with their European and U. S. counterparts and gain market share. Increased opening of territorial borders has promoted direct foreign investment to developing countries.

Globalization has also promoted the movement of people between countries in search of employment opportunities. This allows countries with labor shortages to access the required labor force to aid in the production process. Movement of people between countries provides the potential of transferring skills from developing countries to developed countries resulting into increased wages in those countries.

Another aspect of globalization according to IMF is transfer of information and technology between countries. The movement of technological innovation on a global landscape from developed countries to developing nations presents a highly valuable resource for countries deficient in such

resources. In my opinion, all the factors are equally important because globalization is not possible in the absence of any of the aspects discussed above.

Question 2

According to the IMF report, Chart 2a indicates that the per capita GDP of newly industrialized economies such as Asia have moved rapidly towards the levels in industrialized countries. From the chart, the GDP of Africa has significantly declined while that of China has seen a modest growth. The GDP of Middle East has also declined, while that of Asia has relatively remained the same. The chart also indicated that the GDP of Western Hemisphere countries has declined over the years. While the IMF argues that countries benefit from globalization, the chart indicates otherwise meaning that globalization has not done best to improve economic development in developing countries. This may prove true because developed countries exploit the raw materials and labor force in developing countries for the benefit of developed countries. IMF argues that countries benefit from globalization simply because the report concentrates on the benefits that developed nations gain from globalization.

Question 3

Critics maintain that IMF introduced the policies at once, rather than in an appropriate sequence. For example, the IMF demands countries that receive loans from the institution privatize government services rapidly. This requires governments to sell government services to private investors rather than run essential services such as water supplies and utilities by itself.

Stiglitz argues that this is because of IMF's "market fundamentalism," a blind faith in the free market, ignoring the fact that there is need to prepare the basis for privatization. Private entrepreneurs are always interested in efficient running of companies, which often means retrenching off staff. Nevertheless, Stiglitz say that, if unemployment program and other social safety nets of a country are not well developed, those fired will not find a way of supporting their families. The process of privatization should be part of a more comprehensive program, which involves creating jobs in line with the inevitable job destruction that comes with privatization.

Works Cited:

IMF Staff. Globalization: Threat or Opportunity? IMF, 12 Apr. 2000. Web 05 Jun. 2013.

Stiglitz, E. Joseph. Globalism's Discontents. Web 05 Jun. 2013.