

Economic features of globalization



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Compare and contrast the main features of globalization in the nineteenth and twentieth centuries.

Globalisation is the integration of cultures and economies across geographical borders. Globalisation has made trade and communication possible throughout the world in the shortest possible time.

The difference in globalisation in the nineteenth and the twentieth centuries

While free trade was imposed on the rest of the world markets in third world countries were opened simply because they were not independent nations. Direct foreign investments increased rapidly during 1870 to 1913. The first half of the nineteenth century saw free trade being practised only by Britain. However, in the twentieth century government debt became tradable in the global market for financial assets.

The similarities in globalization in the nineteenth and the twentieth centuries

In the nineteenth century international trade was attributed to trade liberalization, direct foreign investment increased rapidly during the nineteenth century. Lending at international bank was also substantial. The late nineteenth and early twentieth century witnessed a significant integration of international markets to provide a channel for portfolio investment flows. The cross-national ownership of securities including government bonds reached very high levels during this period. Also in the twentieth century there was an increase in the degree of openness in most countries, in international trade, investment and finance. While the second

half of the twentieth century witnessed a phenomenal expansion in international trade flows.

What is deglobalisation?

‘ Deglobalisation’ is the disintegrations of the economies of the world to their individual status where they do not engage in trade, imports and exports with other countries.

To what extent has the 2008 crisis and recession brought about “ deglobalisation?

Globalisation brought with it free trade of goods and services between countries and borders. Many persons left their countries of birth to migrate to other countries in search of a better life, nurses from as far as Trinidad were and still are being employed in England and America. Persons from anywhere in the world can go to America and enjoy a “ doubles” which is a Caribbean (East Indian) delicacy.

The debate on globalization continue as people try to make sure that the benefits of global trade outweigh the costs for all countries. However, with the recession of 2008 many developed and developing nations have felt the impact of the recession specifically in Europe and the United States.

Recession is caused by inflation, where too much money is chasing too little goods. In Ireland, many home owners took out a second mortgage to purchase second homes. Regretably many of home owners were unable to repay these loans and the banks took control of these properties. In many instances these homes were sold for less than the homeowner was owing to the financial institution.

Many persons who migrated to these countries in search of a better standard of living and employment opportunities are now leaving these countries and returning to their country of birth. This is as a result of an increase of unemployment due to many companies being unable to pay its workforce and meet its overhead expenditures.

Though economies of the world are experiencing economic recession, globalisation have to a large extent allowed many countries to survive since countries can still trade their goods and services with other countries with the hope of rebuilding their economies.

To what extent do the positive aspects of globalisation outweigh its negative effects?

According to Deepak Nayyar globalization is the expansion of economic transactions and the organisation of economic activities across the political boundaries of nation states. Globalisation is associated with increasing economic openness, growing economic independence and deepening economic integration in the world economy. People everywhere, even the poor and the excluded, are exposed to these consumption possibility frontiers because the electronic media has spread the consumerist message far and wide.

Negative effects of globalization

Nayyar however, stated that those who does not have the incomes cannot buy goods and services in the market which only creates frustration or alienation which can lead to increase in crime, violence and drugs. Some seek refuge in ethnic identities, cultural chauvinism. Globalisation inevitably

tends to erode social stability. Economic integration with the world outside may accentuate social tensions or provoke social fragmentation within countries.

Globalisation have also resulted in a widening in the gap between the rich and the poor in the world's population, as also between the rich and poor people within countries has widened. Income distribution within countries also worsened with globalization and income inequality increased. The incidence of poverty increased in most countries of Latin America, the Caribbean and Sub-Saharan Africa during the 1980s and the 1990s. Nayar further went on to state that much of Eastern Europe and Central Asia experiences a sharp rise in poverty during the 1990s. Unemployment in the industrialised countries has increased substantially since the early 1970s and remained at high levels since then.

Trade liberalization has led to a growing wage inequality between skilled and unskilled workers, not only in industrialized countries but also in developing countries. As a consequence of privatization and deregulation, capital has gained at the expense of labour, almost everywhere, for profit shares have risen while wage shares have fallen.

M. Panic stated in the article negative issues with support what Nayar also stated in his article the evidence of which are as follows:- “ Does Europe need neoliberal reforms?” the extremely objectionable' nature of the unregulated, free market version of the system was demonstrated globally in the 1930s with devastating consequences: its inherent tendency to prolonged and costly crises (the Great Depression, mass unemployment),

social deprivation and division (extreme poverty for the many in the mass unemployment), social deprivation and division (extreme poverty for the many in the midst of great wealth for the few)”

“ German economic growth and levels of unemployment, for so long among the most impressive in the industrialized world, were only slightly better. Again, ‘empirical evidence in support’ of the neoliberal claim that unemployment in Germany was caused by ‘ over-regulation’ was found to be ‘ extremely weak’ (Fuchs and Schettkat, 2000, p. 238)

Conclusion

While, many world trade and export-led growth strategies are collapsing, surplus countries face big obstacles in expanding domestic demand, and many ‘emerging market’ economies are in deep trouble.

World trade is collapsing much faster than expected-and much faster than predicted on the basis of the past example of this can be seen in the United States and Europe specifically Ireland where many homeowners are unable to pay their mortgages. Globalisation have also resulted in the devaluation of the US dollar which is a direct impact of the recession that the country is presently facing.

The global imbalances had too important a role to ignore, in contrast to a mainstream view that focuses on mistakes in monetary policy and financial regulation since the negative impact is not only economic but also far reaching social issues. Based on the information listed above I can conclude that the negative effects far outweigh the positive.