

What do economists mean by globalisation



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Most writers and economist would define globalisation as the increasing interdependence of nations, by the integration of national economies into the international economy through trade, foreign direct investments, short-term capital flow, international flow of workers and increases in advanced technology. This term could define globalisation however; the definition only looks at one part of globalisation and undermines the deprivation and global economic inequality it includes.

If a definition of a core concept such as globalisation is slippery, then the knowledge built upon it is likely to be similarly shaky and, in turn, the actions pursued on the basis of that knowledge can very well be misguided" 1 This quote makes me believe, we only understand what globalisation involves " Trade etc" however, we are yet to understand the true meaning of globalisation and therefore the true definition of globalisation, where all concepts " Inequality" are included in the definition. After the Second World War, lots of different factors influenced the move towards a global world.

The abandonment of exchange controls, the fall of communism, advances in technology and the freeing up of the global market. The abandonment of exchange controls² has made it much easier for people to convert money from one currency to another and therefore this has helped increase trade and investment between nations. This would also mean government's could lose control over what goes in and out of the economy, in terms of individual imports and exports (International sales transactions through the internet). The abandonment of exchange controls has also brought rise to an unequal demand of currencies.

Everywhere you go, more people demand for Dollars, Pounds, Euro and Yen than any other currency. In some countries, house prices are only valued in Dollars instead of the true currency of the country. This further leads to a decrease in national pride of that country. An example of this is in Ghana³, where most house prices are now valued in dollars rather than the Ghanaian currency, Cedis. It would in turn cost the locals more, to purchase a house, as one would have to convert from a weaker currency " Cedis" to a stronger currency " Dollars".

The fall of communism and the motive of capitalism to maximise returns through cheap labour has increased the movement of foreign direct investments to developing countries such as India, Philippines etc. This form of investment could benefit either sides or either one side of the party. A firm such as Reebok, having their factories and selling their products in the Philippines would benefit the employees and the organisation Reebok, however; when the benefits are weighed the gain to the organisation outweighs that of the locals.

The employed workers of Reebok would have an income to spend or invest, nevertheless, the firm would enjoy cheap labour cost making them very competitive in the international market. Most of these multi national are very powerful and influential which could put them in a position to ask for lenient labour and environmental degradation laws, in order to invest in that country. Some multi nations operating in a country would help improve the local economy, but there may be an unequal distributing of benefits as the multi nationals gain more than the locals, from operating in that country.

For that reason, is globalisation through foreign direct investment, exploitation, or is it the inequality incorporated within the term globalisation? An example of this could be the Bhopal Disaster⁴ that occurred in India. This is inequality of Globalisation through multi nationals on the local and national level. On an international level, the flow of FDI's and trade could be seen in a Trade⁵, this is the trade and investments between some countries and continents such as America, Europe and Japan with south East Asia.

This trade brings these countries closer together which could increase peace and corporation between these regions, on the other hand, the current definitions of globalisation means all nations from different continents trading together to benefit from trade, and this is not truly the case because in reality, there is an unequal distribution of wealth through trade as some continents such as Africa, Latin American and other Asian countries are excluded from the trade and most trades.

This also brings the question of globalisation being defined as an equal interdependence between different nations in the world. This is also not the case because in reality, there is an unequal interdependence of nations. Maybe an equal interdependence may exist in the trade but this is not true for many other countries. Jonathan Michie⁶ explains, Technological innovation in the field of communication and information together with advances in the field of transportation is one cause of the globalisation processing.

He also explains another cause is organisational innovation particularly, in the organisation of production across countries has also helped in this

process. An advance in technology through communication has made it much easier to trade or have an overseas business partner, which would in turn increase the flow of trade between Nations. The Internet in addition has also brought the world to our doorsteps since; one could buy or sell products from any location to anyone in the world.

Although these advances in technology have helped increase globalisation, "At present only about 15% of humanity accesses the Internet" ⁷ and more households in the Northern part of the world have access to a variety of communication methods "Mobile phones, Landlines, MSN etc" than those in the South. Therefore there seems to be an existence of imbalance in the distributions of technologies around the world. In addition, advanced technology has reached the urban cities more than the global rural areas "Africa and other 3rd world countries".

The free trade system has benefited a lot of nations around the world and it is also one major cause of the modern globalisation process. The purpose of free trade is to encourage nations to trade according to their comparative advantage⁸, which would then benefit all nations as they trade to their strengths and production efficiency. Most countries around the world have freed their market, making the market forces control supplies and demand, however some countries still protect their market against foreign competition.

An example of this is the UK and other EU countries subsidising agriculture. Most developed countries have moved from a production base to a service based culture and on the other hand, most third world countries are still in

their agricultural and production based culture. Most of these 3rd world countries gain their income through trades from their agriculture products. Hence, protecting the market, limit's their benefits from trade, as less income would lead to less development and innovation, decreasing their future progress locally and internationally.

Consequently, the act of free trade is unequal and the spread of globalisation through free trading imbalanced, as one party gains and the other loses. Analysing these arguments, " The trend of globalisation has involved propertied and professional classes more than poorer and less literate circles. Women and people of colour have generally had less access to global spaces than men and white people" 9. Therefore is globalisation, marginalization¹⁰? Whereby, certain groups in the global society are excluded from the participation and benefits of globalisation.

Globalisation going hand in hand with Marginalization could bring about the act of, us and them, putting a barrier between the developed nations and the underdeveloped. This act could also increase the global economic inequality that exists in the world's society. Further analysis of these cases has also brought to light that; globalisation mostly benefits the nations with power and influence on the world market. For globalisation to have an equal economical effect on all nations, the developed countries would have to free up their markets cutting out subsidies or any protection of any kind.

This would then force them to trade according to their comparative advantage leading to a more equal benefit from trade. This would also help increase the income of most 3rd world countries, which could in turn, help

them invest into technology for further development. Globalisation in itself would benefit all nations involved in the modern day trading system, however developed countries protecting their market, is the first stage of creating global economic inequality.

Until all protectionist policies are abolished, global economic inequality would always exist in the global society. Till then, the definition of globalisation would remain unknown, as there is an unequal interdependence, distribution of wealth and benefits and existence of marginalization in the global society and this is all due to an unfair globalisation going hand in hand with global personal benefits, making one party better off, and the other worse off.