

The effect of globalization on poverty reduction economics essay

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College of Education Miami, FL Jamaica Cohort 6 Global Economy: The Effect of Globalization on Poverty Reduction in Jamaica. Submitted in partial fulfillment of the Requirements of the Course SSE5381 To Dr. A. Sadiq Abdullahi By Dianna Black April 2013

Introduction Poverty is a way of life for a vast majority of people in the world and a persistent feature of the Jamaican landscape. Poverty is defined as "...deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but access to social services," (Spicker, Leguizamon & Gordon, 2007, p. 5). The purpose of this paper is to discuss the effect of globalization on poverty reduction in Jamaica. In my discussion, I will examine poverty reduction in Jamaica and will compare Jamaica to Singapore to understand the methods they used to extricate themselves from poverty and create prosperity. The following questions will guide my discussion: (1) Can government policies reduce poverty in Jamaica? What is the role of education in reducing poverty in Jamaica? Robert Hanvey's conceptual framework will be used to make a connection.

Conceptual Framework

Awareness of human choices.

Robert Hanvey (1976) stated that humans make choices and they should be aware of the problem of choices they are confronted with. At a micro level each individual has a responsibility to self and cannot blame the circumstances he is surrounded by. One must have a larger vision for self and should strive to be empowered in order to extricate oneself from poverty. One should look for opportunities to help self and not be dependent on government for hand-outs. It is important to note that such a relationship

is unsustainable and only breeds dependency. As the old dictum says "teach a man to fish, he becomes a fisherman for life." What are the choices we as individuals need to make to reduce the cycle of intergenerational poverty? Individuals must make the choice to have the number of children they are able to afford. Each individual must embrace the virtues of education because it is empowering and contributes to upward social mobility. Nations are also confronted with choices, and many problems can arise from a wrong choice. For example, Barbados made the choice to invest heavily in education. Jamaica, on the other hand, did not make the choice to invest as heavily as Barbados in that area. This choice made by Barbados resulted in a population, according to Barbados Education and Education Facilities that is 98% literate and financially comfortable while in Jamaica the population is 79.9% literate but the country is financially unstable. The return was even greater for Barbados as education helped to reduce poverty and build their economy. It is important that human choices are deeply contemplated as the repercussion from bad choices can have devastating impact.

Global citizenship: who am I

Globalization "is a term that encompasses all cross-border interactions, whether economic, political or cultural" (Marber, 2013, p. 66). With this definition of globalization, the question that confronts us now is, how can we use the phenomenon of globalization to reduce poverty in Jamaica especially at this critical period in her history? Let me first examine the issue of who am I in a global world in the context of poverty. I am from a family of twelve which includes both parents. At the tender age of twelve growing up in an inner-city community, was where I had my first encounter with poverty. As I

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reflect on my childhood, I can recall that although I was poor, I never lacked food as both my parents were employed. It was after my father died, that truly I understood what poverty meant. Although the family experienced poverty my mother never failed in sharing the little she had with those who had none. This has left an indelible impression on me which has impacted the way I care for students in the inner-city community where I teach. As I go through my daily activity of teaching I have observed the many hardships faced by children and their parents. Oftentimes, many children come to school without food, are unable to purchase books, pay fees or eat lunch, which reminds me so much of my past situation. However, I am reminded of the many times my mother impressed upon me that education is the only way out of poverty. Hence, I have taken that route and have been encouraging the parents and students to do the same. I am deeply saddened that Jamaica is not making enough progress to successfully deal with the level of poverty being experienced by so many people across the island. It is with this view in mind that I seek to focus on poverty reduction in Jamaica. I am reminded about human choices as posited by Hanvey (1976) that can determine how we face situations that we are confronted with. I made my choice to pursue education as a way to improve my life chances and my children's. Subsequently, I am gainfully employed, not experiencing poverty, and still continuing my educational goal.

Historical background

According to Sachs (as cited in Jackson, 2013) poverty has affected almost everyone that has ever lived and has been blamed on the poor themselves, race, culture, religious divisions, taboos, caste systems, lack of

entrepreneurship, gender inequities, poor governance, corruption and geographic location. However, it was as a result of the Industrial Revolution beginning around 1750 that a break from poverty occurred through scientific insights and technological innovations, and not just sheer market forces and free trade. This global economic prosperity has placed the world in a better shape and within reach to eliminate poverty. Present statistics have revealed that after two centuries a little over five billion of the world's population is able to meet their basic needs. In spite of this worldwide reduction in poverty, there is still one out of six persons on the planet who are still getting by on \$1 a day or less.

Jamaica.

There are several determinant factors of poverty in Jamaica: Low educational attainment, low income earning capability, gender discrimination, inequality in wealth, access to basic social services, low wage employment social and economical policies not monitored. The current global crisis of high inflation rate and dependence on imported goods, has also added to the dismal situation faced by Jamaica. Although, the government of Jamaica has been trying for many years to reduce poverty it is on the increase for the past ten years. With a population of over 2, 709, 300 persons, 16. 5% has fallen consistently below the poverty line since 2004 - 2009. However, poverty is more prevalent in rural areas and inner-city communities which accounts for the largest number of persons living in poverty. It comes as no surprise that the highest number of crimes is recorded in the inner-city communities, as crime and poverty are inextricably linked. The government through its many endeavours, starting as early as 1886, have implemented many programmes

to address principal areas such as institutional care, housing, medical, food, education, clothing, skills training, educational assistance and community infrastructural development to reduce poverty. The persons targeted for assistance are the elderly, children, handicapped, large families, pregnant and lactating women, drug abusers, and persons with HIV/AIDS. As a means of teaching the poor to help themselves the government also implemented programmes to assist with income generation by providing credit, skills training and job opportunities. As a result, the interventions to reduce poverty since 1991 have contributed significantly to the progress made in arresting the high incidence of poverty in Jamaica. In 1991, the poverty level was 45% of the population. The poverty level reached its lowest level of approximately 10% in 2007. The reduction in poverty between 1990 - 2007 was due to several factors: control of inflation from 80% to 8%, stability in prices over an extended period, increased remittances, growth in the informal sector, a relatively stable exchange rate, and a growth of real wages (Hughes, W, 2005).

Challenges

Jamaica economy faces many challenges to growth: high crime and corruption, large-scale unemployment and underemployment and a debt-to-GDP ratio of more than 120%. However, for the past four years the global recession has been impacting Jamaica in a negative way and has led to inflation and significant price increases. Remittances have decreased and growth of the informal sector is declining. The exchange rate has undergone a significant devaluation. No increase is expected in public sector wages as wage restraint is what public sector and the Memorandum of Understanding

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is built on. As a result, there has been an increase in poverty which rose to 17.6% in 2010. In this current economic crisis, sustainable growth in the economy is needed in order to reduce poverty (Hughes, W. 2005). Jamaica is also facing a huge public debt burden which has placed the country in a precarious position. So, in 2010, the government created the Jamaica Debt Exchange in order to retire high-priced domestic bonds and significantly reduce annual debt servicing. In spite of the improvement the government's ability to spend on infrastructure and social program is still hampered by its debt servicing cost, especially as the economy is shrinking while job losses are on the increase. In addition, the government is presently working to negotiate a new IMF stand-by agreement to gain access to additional funds. From an historical perspective Jamaica has not been able to transform itself from the legacies of its plantation past into the modern global economy. At the regional level, according to Greenwood and Hamber (1981) the Caribbean has had a long heritage of high inequality and poverty due to slavery and colonization. After many years of colonial rule the nations experienced no profits brought into their country as profits were shipped to the colony. As a result of the economic exploitation, the Caribbean was left with only unskilled workers. The European nations which were developing rapidly separated themselves economically and technologically from the Caribbean which became one of the most impoverished nations of the world. This has impacted the Caribbean nations with little capital to invest towards their future economic growth, becoming developing third world countries. Post-independence saw many Caribbean islands already struggling and unable to manage on their own. Benefit of globalization to Jamaica. The

question that preoccupies our mind is how can globalization benefit Jamaica in reducing poverty? Globalization, at a micro level, has changed the face of organization and has created new frontiers of opportunities in every sphere of Jamaica's socioeconomic landscape. The many benefits of globalization are helping in reducing the epidemic of poverty in Jamaica. Through international networks Jamaica receives foreign investments, technical assistance, medical aid and equipment, food aids, aids for road construction, investment in education through building of schools, provision of materials such as computers, books and skills training, contribution through remittances and investments from Jamaica Diaspora. As a result Jamaica has experienced increase in life expectancy, and a rise in literacy levels resulting in a better educated populace. An educated populace is a driving force for economic development and by domino effect reduced poverty levels. According to Kulkarni (2012) globalization increases competition which results in an improvement in the quality of products and services offered globally. With more competition monopolies are broken and prices become more competitive, making goods and services cheaper and more affordable for the poor. In addition, he argued that insufficiency of capital in developing countries often deters the building of more companies and hence employment. The liberalization of Jamaica's telecom market and the subsequent foray of Digicel , Claro and other telecom giants have not only brought new technology to our shores but have provided nearly two thousand job opportunities for Jamaicans that have gone a far way in reducing poverty. On the other hand, there are some negative impacts of globalization on developed countries as people have lost countless jobs on

account of outsourcing to the developing world and hence, it becomes an issue for the people in the First World. Furthermore, investment and capital flow is another way in which poverty can be alleviated. When companies from developed nations invest directly in developing countries by starting production units, Foreign Direct Investment (FDI) flows into the developing countries. A healthy foreign reserve will allow the government of Jamaica to make transfer payments to those persons that are deemed less fortunate thus reducing the impact of poverty. Foreign trade has a significant impact on the economy because it enables investors to expand business enterprises thus increasing aggregate demand in the economy. Kulkarni further stated that the spread of technology can also help in reducing poverty. As a result of globalization innovations that are created in other parts of the world also comes into developing countries. Without globalization no other country would have knowledge of new inventions, and medicines. This information would remain in the countries that invented them and no one else would benefit, For example, improvements in antibiotics have helped to prolong and improve the quality of life. In addition, the spread of technology also helps in food production, so developing nations are better able to feed their population. Technology can also serve as a means to expanded economic and political knowledge, which will help to improve governance in developing nations. The belief system of a country has the capacity to increase and reduce poverty. In some parts of rural Jamaica, it is customary for children to attend school only two days of the week and the rest of the days are spent in the field. Some of these persons do not even believe in the use of contraceptives, as a result of these cultural practices the cycle of

intergenerational poverty continues. This can be counterproductive in developing countries especially when it is unaffordable. Learning about sustainability through family planning and contraceptive method can help to halt a spiralling population growth, as the larger the population the more consumption of resources and the poorer the country. Perhaps the most important benefits of globalization in Jamaica is the increase in the availability of tertiary education due to the fact that a number of universities abroad have established programmes offshore . As a result, a number of Jamaicans have acquired skills training and other educational experiences to have gone a far way in reducing poverty. More Jamaicans are increasingly becoming empowered to create their own self employment opportunities to reduce poverty or even more marketable to secure jobs. The internet has opened opportunities for the common man to access markets for selling their goods and services without any great capital outlay. On the other hand, Pillai (2011) states that globalization has many negative impacts such as poor customer service, unethical business practices, imbalance trading, fear of terrorism, poor health resulting from fast food, spread of diseases and environmental degradation.

Jamaica in the Region.

In examining a progressive economy, Jamaica can be compared to the Dominican Republic, a highly unstable banana producing country which ascended out of a poverty stricken state. Over thirty years ago Dominican Republic had a similar problem with poverty, yet, in less than twenty years they were able to reduce poverty and achieve economic success. How were they able to accomplish this feat? In his article ' Designing an economy for <https://assignbuster.com/the-effect-of-globalization-on-poverty-reduction-economics-essay/>

growth' Claude Clarke (2013, p. A8) posited that the Dominican Republic concentrated its efforts on designing economic policies, tax incentives, and instructional support mechanisms to spur private foreign and domestic investments in the development of the industry. Unlike Jamaica it did not sideline its goods-producing sector in favour of services hence manufacturing in the Dominican Republic has been as impressive in its growth as tourism. Dominican Republic implemented tax waivers as a strategy to develop manufacturing by removing as much of the burden of taxation as possible from productive inputs and incentivising investments in production (Clarke, 2013, p. A8). Consequently Dominican Republic achieved overall average annual economic growth of more than 5.5% over the last twenty years and surpassed Jamaica. In doing so the Dominican Republic relieved Jamaica of several job creating and foreign exchange-generating manufacturing activities for example, ice-cream previously made in Jamaica by Cremo is now produced in the Dominican Republic and that country has captured much of the thriving cigar business Jamaica enjoyed after the US embargo blocked Cuban cigars. How have they achieved this success? Their success in manufacturing and tourism is attributable to the low cost of domestic inputs created by government's economic policies which enable them to price their goods and services competitively. The government has ensured that despite electricity generation and distribution problems, its producers have moderately priced energy. By creating policy and institutional framework that enables, encourages and assists all productive activities in the country to be competitive, without necessarily favouring one productive sector over another. Dominican's example of economic growth is a

strong indicator that government policies can influence the augmentation of or reduction of poverty.

Comparative Analysis of Jamaica and Singapore

The population in Singapore is almost twice the amount of the Jamaican population which stands at 2.7 million. Their real GDP growth rates stands at 6.4 while Jamaica is at 1.4. Their per capita GDP is US \$28,100 whilst Jamaica's is US \$4,400. The unemployment rate is 2.5. Jamaica on the other hand has an unemployment rate of 11.5. Adult literacy stands at 93.0 per cent in Singapore and 88.0 per cent in Jamaica. The percentage of Singapore's population with tertiary level education is 25 percent which is more than three times the figure of Jamaica which is 8.3 percent.

Furthermore, the Human Development Index (HDI) ranks Singapore at 25 and Jamaica at 98 out of a total of 177 countries. Singapore is a smaller country with more people, yet they are more progressive. Jamaica is more endowed with an abundance of natural resources than Singapore, yet it continues to be dogged by underdevelopment and persistent poverty. The story of how Singapore, a poor and heavily indebted third world country that was able to transform itself into a developed country eliminating poverty in the process, is not only worthy of commendation but makes a relevant case study for national development. Singapore as a young sovereign state like Jamaica was confronted with high levels of poverty, poor sanitation, little supply of potable water and lawlessness. Despite all those earlier setbacks the country was able to build a first rate economy providing jobs for its people. Singapore was among the first group of countries that embrace globalization. Desperate to find work for its people, the leadership of

Singapore was engaged in promoting globalization before it was in vogue. The flow of goods, capital and skill between Singapore and its developed trading partners in the developed world was critical at every stage of its development and formed the cornerstone of its strategy. Its strategic manoeuvres remains relevant today and is worthy of emulation. The bureaucratic intransigence and the indecisiveness that has become a part and parcel of Jamaica's governance structure when it comes to making and implementing important decisions to drive development is perhaps the single most important factor that has militated against Jamaica progressing into a developed country. We have been talking about globalization over the last thirty years without structurally changing the internal dynamics of the economy to take advantage of the massive flow of goods and capital on the global scale. Singapore instead has been able to significantly reduce its bureaucracy and has made the country a place that is easy to effect commerce and do business overall. Singapore is ranked by pundits as the most effective country in implementing and changing government policies. This kind of decisiveness in government does help a far way in attracting foreign direct investment which facilitates the creation of jobs which ultimately leads to the reduction of poverty. The epicentre of Singapore's model of economic development is the social contract that was articulated by the government and the citizenry. In essence the people of Singapore were able to give up some of their individual rights for example, to engage in wild cat strikes and membership in the trade unions of their choice for the greater good of the country. On the contrary, the Jamaican government despite talk has not been able to articulate a vision that will build consensus,

so that individual rights may be sacrificed on the altar of expediency for good of the country. Jamaica's intransigence in passing a law to combat scamming is an example of our poor attitude towards the rule of law. The rule of law adds stability and will win the respect of foreign and domestic investors because foreign investment is vital in creating employment opportunities to reduce poverty. Singapore has been able create a legislative framework that foster and provide stability and predictability in its political and economic climates on a daily basis. This type of environment is business friendly which is an essential ingredient for expanding the proverbial cake so that everybody is able to bite from it.

Global Aid to Jamaica

One of the top eight United Nations (UN) initiated millennium goals include poverty and hunger eradication by 2015. Consequently during its first review Jamaica is on track to eradicate poverty as a significant increase has been recorded on poverty reduction. Since Jamaica gained its independence in 1962, institutions like the Inter-American Development Bank (IDB) and the World Bank (known more formally as the International Bank for Reconstruction and Development-IBRD) has been helping Jamaica to reduce poverty by providing loans, grants and technical assistance. Funds are used for education, health, development of infrastructure and private sector development. The investment made in education is significant because quality education is important in creating and driving a knowledge economy. As a result, if Jamaica has a high level of education it will enjoy a higher level of innovation and economic growth, thus reducing poverty. Another entity is the Internal Monetary Fund (IMF). From a Jamaican standpoint, for the next

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four years its economic management will be greatly influenced by the International Monetary Fund. Although the fund's priority is to provide balance of payment support to Jamaica or money to pay Jamaica's international creditors it does provide the seal or stamp of approval for other multilateral funding agencies such as the Inter -American Development Bank (IDB), International Finance Corporation (IFC), the Caribbean Development Bank (CDB) and the World Bank to provide assistance to Jamaica to engage in poverty reduction.

Analysis

What is the role of education in reducing poverty in Jamaica? Education and training are critical components in the development of human resources that are pivotal in the development of Jamaica's resources. Education and training build capacity and in so doing position the country to take advantages of the benefits of globalization. No country has succeeded if it has not educated its people. Educational transformation in Jamaica can play a critical role in reducing poverty. If the needs of students are met, they can leave school independent and ready to contribute to the society. Many persons are leaving schools without the armour of basic numeracy and literacy skills. The transformation of especially the early childhood and primary education is woefully lacking as students and teachers alike grapple with issues of indiscipline, and limited resources available to provide holistic development of the students. The better educated a country is the more it will attract investors who can outsource their services to provide jobs in that country. Not only is education important in reducing poverty it is also the key to creating wealth. This fact of education reducing poverty is demonstrated

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in countries like Singapore, Dominica and Barbados. Furthermore, education enables empowerment and creates self-confidence which results in improving one's life. Education builds global citizenship in that it deepens the perspectives of citizens in dealing with global issues and trends. Singapore's economic success based on the comparative analysis is inextricably linked to the government's investment in education and training. As a result, education coupled with job creation is the only panacea that can sustainably reduce poverty in Jamaica.

Recommendations

Based on the above information the following recommendations are offered: Wealthiest population of the world contributes a small percentage of their wealth to help the world's 1.1 billion who are experiencing poverty. Stabilize the population which can help in easing the pressures placed on the earth's resources which might reduce economic gains. Practice good governance as it relates to transparency and the reduction of corruption. Although governance can make a difference, it is not the only factor that determines economic growth. Encourage overall economic growth by supporting the viability and establishment of small business ventures. Government should take salary cut; spend less on entertainment while the country is in an economic crisis. Create international regulations for global activities. Changes in government policies including tax initiatives/waivers to attract and maintain foreign direct investment. Provide and monitor educational policies to benefit all persons at all levels.

Conclusion

As educators we should be cognisant of the changing environment in which we live. In a globalizing world issues and problems will pervade national borders. Hence it is imperative that collective international actions be undertaken. Jamaica has experienced significant structural changes over the past twenty years as she integrates in the global economy. Globalization can effect poverty reduction in Jamaica but there are factors such as unfair trading, stunted economic growth, and loan policies from world organization that continues to produce poverty. The government must ensure that they are prepared for the constant demand, re-adjustment and redeployment as they participate in the global economy. Moreover, if they do not have an educated workforce, basic infrastructure and the capacity to facilitate investment then Jamaica will continue to descend into poverty. Citizens of a country should also examine their actions to see how they affect their condition as it relates to poverty. The more they learn the more changes they should make in the way they operate. Poverty can be self inflicted by the choices made, which also affect others. The government too can inflict poverty on its citizens by the choices they make in policies. However, reducing poverty can only occur in an environment where the government actively promotes development. Moreover, I believe, it is not until we truly understand what it means to be our brother's keeper, before we can reduce or eliminate poverty in the world. Abdullahi (2010) stated that as global educators we must become highly conscious of the effect of globalization in shaping the contemporary world. He further warned that it is our ultimate goal as global educators to prepare students for responsible national and

global citizenship in an increasingly interconnected and interdependent world; and we must ensure that we prepare students who can change his/her worldview from negative to positive. As humans we are faced daily with situations in which choices should be made. We must ensure that our choices are responsible and does not cause hurt to anyone.