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Business, Finance & Economy

Why globalisation is good for you

by Analyst

Trade between nations has been going on ever since the dawn of civilisation. What then is globalisation? In the last three decades new technologies have linked nations like never before. In the last two centuries there were the introduction of steamships, which linked countries across the seas as far flung as Australia or New Zealand with Britain and America. Within these countries the railways linked towns and countrysides across vast continents in USA, Russia, China and so on. Then there was the airplane, which soon came to link the furthest points of the globe much faster with the introduction of the jet engine in the 1960s. Next came the revolution in Information Technology and telecommunications with satellite communications and last but not the least the Internet, linking computers worldwide.

So we find today software developers in Bangalore engaged in processing data and coding text for banks in the West. There are textile manufacturing plants and toy making plants in China supplying to stores in London and Paris. Our own country produces shirts, blouses and other garments which are sold in UK, USA by departmental stores like K Mart, Marks & Spencer. Is all this bad, as some people would have us believe?

Critics of globalisation

Critics argue that these export industries which have migrated to the Third World from developed countries where they functioned earlier, are exploiting our workers, paying them paltry wages and making them sweat for long hours under strict supervision. Wages and working conditions in the new export industries of the Third World are appalling but yet they are big improvements over the previous less visible rural poverty. But surely these people were in grinding poverty before with no jobs at all and little income? Which is better, to have no job at all or have a job which pays a pittance? Ask the garment factory worker whether she prefers to be unemployed than to be exploited? If it is good for them surely its good for the economy. If so globalisation must be good for it expands international trade and provides jobs for people who would otherwise be unemployed.

Globalisation allows economies to concentrate on what they can do best the law of comparative advantage, which figures prominently in Economics of International Trade. In the 1960s people used to criticise that the world division of labour was unfair since the Third World was confined to being primary producers, producing raw materials to be converted into manufactured goods whose prices were much higher than of the primary products. But now that under globalisation, industries which were confined to the developed countries migrate to the Third World to take advantage of cheap labour, there is a different cry - the cry of exploitation of the poor Third World workers. But didn't the workers in the First World too go through this stage of low wages in the beginning of the Industrial Revolutions? Isn't this a transitional stage?

The wages in these countries will not remain unchanged. They will rise as already seen in former Third World countries like Singapore, South Korea, and Taiwan. This is the logic of the capitalist system and if we are wise we will make use of the opportunity until it lasts.

The critics of globalisation say the benefits of globalisation go to the multi-national companies and the consumers in the developed world who are more affluent, who are thereby able to buy their goods at cheap prices, prices that involve the exploitation of the Third World workers.

Critics of globalisation argue that anybody who has a good word for globalisation is either naive or corrupt and an agent of global capital in its oppression of the workers. Globalisation has become a dirty word. But matters are not that simple. While fat cat capitalists in the West may benefit from globalisation, the biggest beneficiaries are the Third World workers who were earlier unemployed or engaged in jobs which were hardly productive and produced little added value. Often as in the rural agricultural sector they merely tread on each other's toes as far as the farming occupation was concerned. Globalisation has provided them productive jobs.

Job losses in the developed world

Critics in the developed world on the other hand point to the job losses in their countries as a result of globalisation. The industries that have migrated to the Third World are those from the developed world, which employed a large number of people such as textiles and garments. They were made in the developed countries like UK, USA. Italy and when they moved to the Third World they created job losses for their own people. So they seek to lay down labour standards for the Third World products.

Other critics point to the increasing inequality of incomes in the world with the rich in developed countries becoming richer widening the inequality of incomes. They point out that since globalisation started in the 1970s the average per capita income in developed countries has risen to 37 times the average in the poorest 20 countries, a gap that has doubled in the last forty years. While accepting that this is true the supporters of globalisation point out that there has also been a significant improvement in the living standards of the developing countries too because of the globalisation. Families in the Third World have moved up from peasant level incomes to middle class levels in countries like China and India. Relative poverty has declined.

Localisation versus globalisation

Modern technology like that of the mobile phone, the radio television have made it possible for rural peasants to access information such as the prices for their produce in the neighbouring towns and cities. They can become more independent and have wider choices in life in the handling of their economic activities. There is also the Internet where they can obtain access to all sorts of information and gain knowledge even if their homes are inaccessible.

But opponents point out that the ruthless competition among developing countries to supply goods to the markets of the developed world has meant loss of jobs to other developing countries with consequent job insecurity and lowering of wages. So they argue for 'localisation' rather than globalisation where production in the domestic economy is geared to supply the local market and not the global market, where prices do not have to be cut to cope with competitive pressure. They argue for protection for producers to supply the local market, which makes a larger number of them better off in their own country. They say everything that can be produced locally for the local market should be produced locally and long distance trade should be reduced to supplying only what cannot be produced locally. This would, they argue, allow an increase in the local control of the economy and make it possible to share out the national income more equitably. But this did not happen under import substitution policies pursued by countries in the 1960s.

Globalisation has the potential to empower the poor

But globalisation has brought new learning, new ideas, and new techniques of production to people in the Third World. In short globalisation leads to the spread of modern technology, gives people in the Third World greater freedom and the possibility of self-improvement and increase of their incomes by their own efforts. All these years their governments have spent enormous amounts of money to improve their standards of living and relieve them from poverty but have shown little success. They have often perpetuated a feudal culture carried over from their pre-colonial past and dispensed the largesse of the state through them as the new feudal masters.

The vast number of the poor can improve only if they are empowered and where the states have failed to do so, the global market has helped. It no doubt involves hard work but if they have some elementary education they can reap the benefits of this globalisation. The previous efforts of their governments to industrialise under policies of import substitution sheltered behind protective barriers failed to provide any lasting benefits by way of jobs and higher incomes. Instead their own businessmen ruthlessly exploited them as consumers. But globalisation has meant the transfer of technology and capital from the high wage countries to low wage countries and the resulting generation of labour intensive export industries in the Third World has benefited the poorest that have only their labour to sell.

Are Advocates of globalisation supporting international capital?

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Third World Poverty is a long-term phenomenon

Third World poverty is not a recent phenomenon and it is not the fault of the developed countries that they are poor although there is some truth in the Marxist theory of colonial exploitation of the periphery by the centre. Economic development is a recent phenomenon stretching over a period of the last four hundred years only. Before that there was no noticeable improvement from one generation to another. Individual economies could expand by conquest and by plunder, which was essentially the basis of the prosperity of the Roman Empire. Sustained internal economic expansion through the accumulation of capital and through technological progress was very slow.

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