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GLOBALIZATION: GOOD OR BAD?

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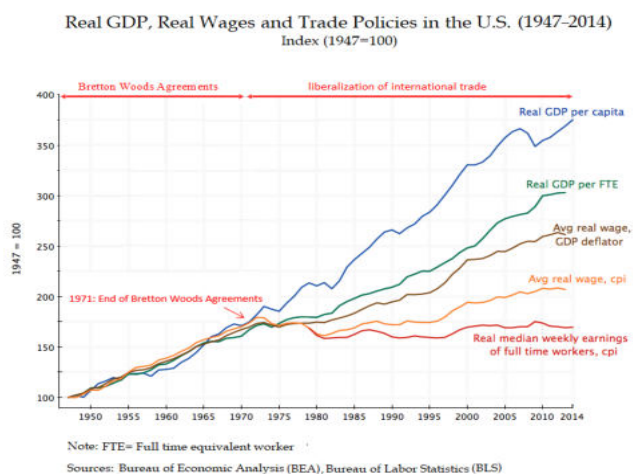
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Over the last centuries, so much exertion has been made to bring all the different countries together to improve the standard of living by common forces. All this effort can improve many different aspects of our life. These are political, economic, social and cultural aspects, which are the key ones in our everyday life. Almost all parts of our planet are interrelated between each other in

different ways. The barriers, which could somehow insulate countries, have been removed in the most of cases. The level of integration is growing, what means that the worldwide integration became not only economical, but it also affected other areas of human life. Here is the point, where the term “globalization” appears. Actually, the term is not as young as the new meaning of it, which appeared in the 1970s, after the collapse of Bretton Woods’s system¹. Its impact we can see from the graph below:



Picture 1. Real GDP, Real Wages and Trade Policies in the U.S.

From this graph we see that the real GDP² per capita, real GDP per FTE³ and real wage have continued their growing processes but not with different intensity. Here are the consequences of trade liberalization, where we still have the GDP and real wage growth, but we don’t know if this growth would be bigger or smaller without globalization and capital controls removal. One more point that we see from the graph is that the real median weekly earnings of full-time workers have not changed on average, what shows us stability in this area but is it good, considering the fact that these numbers had been growing during the Bretton Woods?

In this article I am going to discuss and analyze globalization, including the main one “Globalization: Good or Bad?”. The goal of this work is to present possible pro and contra arguments in order to find a way to answer our main question.

The positive significance of globalization is difficult to overestimate: the possibilities of humanity are increasing immeasurably, all aspects of its life activity are more fully considered, and conditions for harmonization are being created. The globalization of the world economy creates a serious basis for solving the universal problems of mankind.

Positive effects of globalization processes include:

➤ Globalization contributes to the deepening of specialization and the international division of labor.⁴ Under its conditions, funds and resources are allocated more efficiently, which ultimately contributes to raising the average standard of living and broadening the life prospects of the population (at a lower cost to it).

Globalization, as Nobel Prize winner in economics Amartya Sen says, has “enriched the world in terms of science and culture, and has also contributed to the economic prosperity of many people”.⁵ “The Human Development Report 1999” also states that globalization “creates enormous potential that allows eradicate poverty in the 21st century”.⁶ This optimism is due to the significant

¹ “The chief features of the Bretton Woods system were an obligation for each country to adopt a monetary policy that maintained its external exchange rates within 1 percent by tying its currency to gold and the ability of the IMF to bridge temporary imbalances of payments. Also, there was a need to address the lack of cooperation among other countries and to prevent competitive devaluation of the currencies as well”(Wikipedia: The Bretton Woods, 2018)

² Gross Domestic Product

³ Full-time equivalent

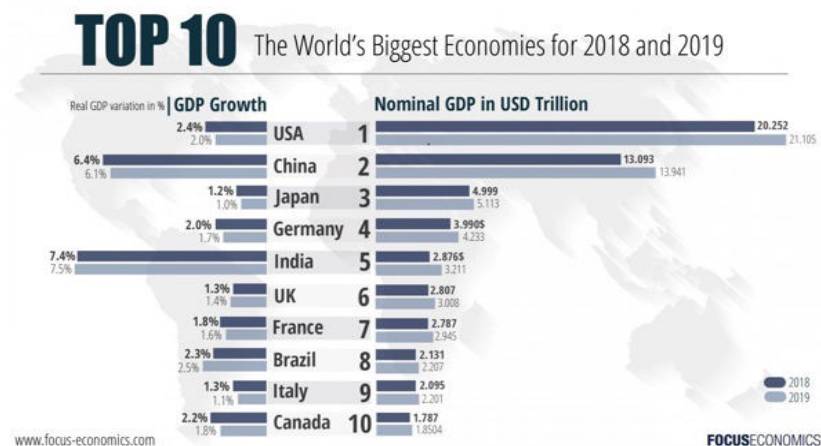
⁴ cf. Hutchinson, F. (2004).

⁵ cf. Sen, A. (2001), p. 9.

⁶ Oxford University Press (1999), p. 1.

increase in wealth caused by globalization. Today, the average family in the world has three times more income than 50 years ago. An example is also the increase in global GDP every year.

➤ Globalization, intensifying competition, stimulates the further development of new technologies and their spread among countries.⁷ In its conditions, the growth rate of direct investment is much higher than the growth rate of world trade, which is the most important factor in the transfer of industrial technology, the formation of transnational companies, which has a direct impact on national economies. The benefits of globalization are determined by the economic benefits derived from the use of advanced scientific, technical, technological and qualification levels leading in the relevant areas of foreign countries in other countries, in these cases the introduction of new solutions occurs in a short time and at relatively lower costs. For example, every week, the number of Internet users is increasing by 300,000. In 1999, it was predicted that by 2001 their number would reach 700 million.⁸ “It follows from this,” says Thomas L. Friedman, “that never before in the history of the world have so many people received so much information about other people life, as well as about various products and ideas.”⁹



Picture 2. Top 10 GDP growth
Sources: Economic Forecasts from the World’s Leading Economists

➤ Some analysts see another advantage of economic integration. They believe that countries will be less willing to start wars. Thomas L. Friedman, in his book “The Lexus and the Olive Tree,” says that thanks to globalization, “there are more and more incentives not to enter the war, because in many ways war today is more expensive than in any previous era of modern history”.¹⁰

➤ The growing interdependence between people also contributes to increasing world solidarity. Some human rights organizations use the Internet to improve their performance. For example, the adoption of a 1997 international treaty banning mines was partly due to the fact that e-mail was used to mobilize various support groups located in different parts of the world.¹¹ Such an approach involving the broad masses of the people has become "a new way of conducting international diplomacy, in which governments and ordinary citizens work closely in overcoming the general crisis."

➤ Globalization contributes to the aggravation of international competition.¹² It is sometimes argued that globalization leads to perfect competition. In fact, we should rather talk about new competitive areas and tougher rivalry in traditional markets, which is becoming beyond the power of a particular state or corporation. After all, strong external competitors who are

⁷ cf. Aslam, A. et al. (2018).

⁸ cf. Weinstein, J., (1995).

⁹ cf. Friedman, T. (2005).

¹⁰ cf. Friedman, T. (2000).

¹¹ cf. Maslen, S., Herby, P. (1998).

¹² cf. Kuepper, J. (2018).

unlimited in their actions join the internal competitors. Globalization processes in the global economy are beneficial, first of all, to consumers, since competition gives them a choice and reduces prices. For example, various companies have appeared on the world market through which residents have the opportunity to choose the price, quality and brand.

➤ In addition, as a result of globalization, trade in services, including information, legal, financial, managerial, as well as many other so-called invisible services, which are becoming a major factor in international trade relations, increases significantly. If in 1970, no more than a third of foreign direct investment was connected with the export of services, then today it contains more than half of the investment capital, and it is intellectual capital that ultimately became the most important commodity on the existing world market¹³.

➤ Globalization enhances the process of interpenetration of cultures. Global information and communication systems play an important role in its development. This is most pronounced in the areas of consumption, leisure and entertainment. Globalization is making tremendous changes in the format of cultural life, but changes in the conditions and structure of culture have a problematic effect on its content.

➤ Globalization is the process of transforming the world economy into a single market for goods, services, capital and labor. One of the advantages of globalization is reducing the economic distance measured in the cost of transport and information services between all regions of the world, which allows to combine them into a single global transport, telecommunications, financial and industrial space. The result of globalization, as many experts hope, should be a global increase in wealth in the world.

2. Disadvantages of Globalization: What is bad?

➤ Firstly, the economic advances through globalization in view of history are undisputed. Especially the (west-) European country's took profit out of the situation to colonize other parts of the world and trade with them by imposing their conditions on trading partners. As well as in former times, there are winners and losers of globalization and trade today, too. Through the colonialism, there are existing still infrastructural disadvantages which handicaps African countries to compete on the world market.¹⁴ A point of criticism is the unequal distribution of goods and capital are caused through the process of globalization.¹⁵ One could say, that some African countries do not have access to globalization, so they are excluded and the results are not traced back to globalization. Otherwise, this argumentation is not valid because their exclusion depends in some ways on former colonialism. The occurred Inequality includes differences between countries as well as between poor and very rich people within the same country.¹⁶ Of course, there are existing other factors like political systems or natural resources which influence the process but nevertheless globalization reinforce this unequal distribution through worldwide competition of firms.

➤ Environmentalists criticises the development of globalization because of the increasing number of transported products. It is not untypically that a product would be sent into five different countries because each component can be produced in cheapest way in a different country. Moreover, different environmental constrains can be reasons of outsourcing processes into a country with lower environmental standards. In this way the incentive of cheapest production is directly in odds with environmental protection. Through increasing wealth on earth and the number of very rich people the production of luxury goods at the attitude of wasting resources is increasing.¹⁷ The rubbish, produced in developed countries, is often disposed in third world countries who don't have the possibility to recycle the waste.¹⁸ Additionally, through the world

¹³ cf. World Trading Organisation, (1996).

¹⁴ cf. Essays, UK (2013).

¹⁵ cf. Staggenborg, S. (2011).

¹⁶ cf. Lang, V., Tavares M. (2018), p. 38f.

¹⁷ cf. McAusland, C. (2008), p. 17ff.

¹⁸ cf. Vidal, J. (2013).

wide connection of economies the demand in products increased and resources in some countries like the rain forest getting exploited.¹⁹

➤ By means of connection between economies including banks made it possible to take investments all over the world. On one hand it gives companies and private people many possibilities to support any regions of the world and earn money but on the other hand it opens the door for speculators and connects chances as well as risks. An example of this is the financial crises form 2008 or the “Black Friday” from 1929 which started in the US and through the connection with European banks they covered also Europe.²⁰ As consequence, there have to be implemented supranational institutions, like the Single Supervisory Mechanism in cases of European Banking Union, which control the market and prevent crisis. These institutions have to take measurements which stabilize or support the market at all. It is imaginable that there are existing countries which are more important for a stabilized market than others in consequence of their market volume. As an example, that the policy of supranational cannot be the best choice for all member states is the interest policy of the ECB, which helped countries with problems after the last crisis and suffered others with fast recovering economics.²¹

➤ Worldwide competition leads to a specialisation of each country which is based on in a wider sense on Ricardo’s “*Theory of Free International Trade and comparative advantages*”.²² If there would be a completely free market without protection it would not be profitable for European countries to have agriculture or charcoal anymore. Nevertheless, developed countries are able to protect their unprofitable economics through subventions with the aim to stay independent. Other countries with unsteady or corrupt political systems are not able to build up or protect a competing economy so that they are completely dependent on developments of the world market and other nations to get important goods. In that way, you cannot speak about equal opportunities or free trade.²³

➤ Competing with companies from all over the world puts pressure on domestic economies to produce in the most profitable way. That increases and supports dumping prices to be the cheapest supplier. Especially for low skilled workers in developed countries it gets harder to compete with workers from lower level countries who accept lower salaries. A very prominent example is the case of the Finnish telecommunicating company Nokia. They moved their production plant from Bochum to Cluj in 2008 by citing the argument that production in Germany is not competitive anymore after German government stopped subsidy payments.²⁴ In 2011 they closed their location in Romania and moved further to Asia.

Many decades ago, globalization was primarily focused on the economy of a country, only economic factors were considered as the key parts of globalization. Over the years its range has been changed and expanded. Here we add other areas such as society, culture, technology, media, sports and politics. Biological factors, such as environmental have been also included more and more. Especially the climate change is a political and environmental topic which can only be solved on a global level and underlines the importance of common global policy.

As indicated, globalization has various effects. It has played a major role in the current world’s development. The pluses of this process are: easy communication throughout the boundaries, many possibilities to travel, cultural interchanges, international trade, big range of different products, improvement of new technologies, increased purchasing power (because of cheaper products), political and economic unions development, what gives us a better quality of relationships between different countries. To the “bad” side of this process we can attribute increased unemployment in some countries because of the fact of delocalization, non-controlled

¹⁹ cf. Fitch, C. (2014).

²⁰ cf. Clavin, P. (2000), p. 30.

²¹ cf. Crowley, M. P., (2008), p.18f.

²² cf. Ruffin, R. J. (2002), p. 731f.

²³ cf. Clay, J. (2013).

²⁴ cf. Spiegel Online (2008).

circulation of money, ethical problems (like racism or intolerance) caused by the mix of cultures, increased gap between poor and rich people, ecological problems, impossibility for small companies to compete with multinationals and so on.

In order to summarize what we have mentioned before, we can conclude that globalization is a very significant phenomenon of our planet's life. This phenomenon has many strong positive and also negative sides, but the truth is that it's unstoppable, we cannot just count all the disadvantages and immediately stop this process. To put the initial question in the actual world context, it seems that the negative points overweight. Particularly the refugee's crisis and the huge unequal distribution of wealth leads back to the development of globalization. Otherwise, the relative level of wealth gets higher in nearly every part of the world. It just seems to be the question how globalization is used. The initial question cannot be answered in the way black or white, good or bad. Through our analysis of advantages and disadvantages we can say that the way how globalization is implemented or takes place is the more significant question. All the positive effects have to be used in an effective, balanced and sustainable way for all regions of the world. This seems to be the big challenge which decides our initial question if globalization is good or bad. Globalization took and will take place anyway but we have to minimize the disadvantages. Only through our joint efforts we can solve all these problems.

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