THE COSTS AND BENEFITS OF GLOBALIZATION
What is Globalization?

◦ Globalization represents the growing integration of economies and societies around the world.

◦ Is globalization a good thing? For example, has globalization helped or hindered economic development?

◦ Views differ.
Globalization has HELPED economic development

◦ Poor countries have gained access to new goods.
◦ Rich countries have benefitted from new markets.
◦ International trade has brought with it an infusion of capital, technology and new skills into developing countries.
◦ Globalization has helped lift millions of people out of poverty.
◦ Globalization has helped raise the scores of developing countries on the Human Development Index (HDI).
Globalization has HURT economic development.

◦ Many people in less developed countries (LDCs) still live in extreme poverty.

◦ The income gap between those living in less developed countries (LDCs) and in the industrialized world has widened.

◦ The terms of trade are mostly controlled by developed countries.

◦ In developed countries, high tariffs and import quotas on goods of greatest interest to LDCs have prevented people in LDCs from benefitting from trade as much as they should.
Major institutions involved in globalization

- WTO
- World Bank
- International Monetary Fund (IMF)
- The United Nations (U.N.)
- NGOs (=Non-governmental organizations)
- Multinational Corporations (e.g., Nike)
The World Trade Organization

- Over 150 nations are members of the WTO
- It began in 1995 as the successor to GATT (General Agreement on Trade and Tariffs)
- It oversees trade agreements between member-states and tries to settle trade disputes between them.
The World Bank

- This institution was created at Bretton Woods to help spur development and fight poverty.
- It has over 180 members.
- It lends money to developing nations and others in need of assistance.
The International Monetary Fund (IMF)

- This institution was also created as a result of the Bretton Woods Conference.
- It operates somewhat as a fireman, helping douse crises before they get out of hand.
- Its member nations lend money to nations in need.
The problem of development

- Poor countries (Least Developed Countries, or LDCs) have difficulty in making economic progress and raising their citizens’ standard of living. Not only do they often lack capital and basic infrastructure, but also they are unable to overcome trade barriers into more developed countries, in part because of tariffs.
- Poor countries are also hurt by corruption.
What are capital flows? Why are they important?

- Capital flow = the movement of money into and out of a country through foreign investment and other financial activities.
- They are important because without them, economic development would be much slower.
- Sometimes, though, countries place limits on how much capital can flow out of a country at a time.
Problem of foreign debt in LDCs

- Many LDCs receive loans from the IMF and other institutions that they are required to pay back.
- Many of these loans come with strings attached (e.g., they may require LDCs to adopt austerity measures).
- Repayment of these loans (debt service) can be difficult for LDCs.
- Risk of default is high.
Debt forgiveness

- Debt forgiveness is the cancellation of all or part of a debt.
- Once forgiven, a debt does not have to be repaid.
- Many less-developed countries would benefit greatly from the cancellation of all or part of their debt.
- Debt forgiveness has happened already at different times (with Haiti recently, e.g.).
The Human Development Index (HDI) measures a country’s level of development in terms of:
1. life expectancy;
2. education; and
3. standard of living.

- Looking at the graph, which parts of the world have a high level of human development?
- Which ones have a low level of human development?
Has globalization helped or hurt the environment?

- Economic development sometimes creates environmental problems
- Lack of environmental protections in poor and undeveloped Third-World countries causes long-term damage to forests and other natural resources
- Urban planning, sustainable development and the use of renewable resources are ways in which the negative environmental impact of globalization can be lessened
Different views on this subject internationally

- Look at the chart. Citizens in which countries seem to think that trade is good?
- Why do you think citizens in these countries have more positive views of international trade than citizens in other countries?
- Citizens in which countries seem to think that international trade is bad?
- To what do you attribute their greater negative views?
The environmental Kuznets curve

- This is a graph which shows a theoretical correlation between higher per capita income (PCI) and reduced environmental pollution.
- According to this theory, pollution first increases with a rise in income but then declines as living standards continue to improve.
To what extent can this model be applied to developing countries (like China or India, e.g.) today?
Does globalization enrich or threaten local cultures?

- Critics sometimes view globalization as a trend toward the **homogenization** of society and culture. They believe that globalization threatens the diversity and uniqueness.

- Globalization is also sometimes identified with Americanization or westernization.

- Do you think American influence is that strong?

- In what areas or industries is American influence (or soft power) prominent?

- In what areas or industries do you think American influence is very weak?
Is cultural imperialism a problem?

- People in some countries resent the spread of western and esp. American culture.
- Just as McDonald’s threatened local cuisine in many countries in the 70s, 80s and 90s, American movies, music and technology have continued to spread throughout the world.
- Should individuals in the marketplace be allowed to decide what they want to buy and consume or should government step in and impose restraints on individual choice (see e.g. quotas on movies shown in France or, more ominously, Chinese censors on the Web)?