Globalization

What is it? And is it a good thing or a bad thing?

1. What is globalization?

Although there is no one precise definition, the term **globalization** usually refers to the increased flow of trade, people, investment, technology, culture and ideas among countries. Opening up international borders results in global markets instead of local or national markets. This includes markets for goods, services, labor and capital. For example, in our global economy a business in one country often interacts with people and businesses in other countries to produce and sell its goods and services. When your family buys fruit from your local U.S. grocery store, you may end up buying apples from New Zealand, apricots from China, bananas from Ecuador and tangerines from South Africa.

The term "globalization" sometimes takes on different meanings for different people and in different circumstances. For example, sometimes the term is used to refer to the increased role of large, multinational corporations in the world economy. People in developing countries outside the United States sometimes use the term to refer to the dominance and influence of the United States on the world economy.

2. How new is globalization?

The term “globalization” is a current buzzword frequently used in the news. The term probably was coined in the 1960s, and came into wide use in the 1990s. But globalization itself has been around for centuries. For example, Marco Polo made a trading expedition from Venice, Italy, to what is today Istanbul, Turkey, in the thirteenth century. Native Americans traded with others from different territories and with different languages long before they began trading with European settlers in the seventeenth century. French textile firms had branches in Rhode Island and Latin America in the early nineteenth century.

Although globalization has been going on for centuries, historians and economists agree that today we are in a period of rapid globalization and that it is on the increase worldwide. International migration is on the rise. Businesses are expanding their operations in other countries. Foreign direct investment is estimated to have increased 10 times since 1990. According to the Federal Reserve Bank of Dallas (2002), U.S. trade and capital flows both tripled as a percentage of GDP between 1972 and 2002, and “the United States isn’t alone. The rest of the world has seen a similar surge in cross-border business.”

3. What has led to increased globalization?

The increase in globalization throughout the world in recent decades is due to many factors. Of major importance is the fact that trade barriers have gradually been reduced around the world, as have restrictions on the free flow of investment capital between countries. The growth and sharing of technology are also important. Methods of transportation have improved, making it easier for people to travel and to move goods and services across borders. Methods of communication such as the Internet have improved, making it easier for people to spread information and share ideas around the world. When business owners are free to earn profits, they may try to do so by hiring people or buying and selling in other countries. Another important factor is the fall of communism. Countries of the former Soviet Union, the Eastern Bloc and China that were once isolated due to communist regimes now have more market-oriented economies and are doing business with the rest of the world.

4. What are some positive effects of globalization?

Globalization has many benefits. In many ways, globalization represents increased freedom. When international borders are open, people are free to travel and immigrate to other countries, to trade with whomever they wish, to invest wherever they wish and to experience new cultures and new ideas. Opening up international trade provides consumers with a wider variety of goods and services. By buying raw materials and hiring workers from other countries, some businesses are able to lower their costs. These lower costs usually generate lower prices leading to greater consumer demand for products of all types. In addition to lower prices, international competition results in higher-quality goods. When markets operate across borders, people on both sides can benefit from economic growth and increased wealth and more jobs overall. Developing countries benefit when they rely on exports for economic growth. They also benefit when multinational corporations provide jobs in their countries, usually paying higher wages than those prevailing for other jobs requiring similar skills. Globalization provides people with better access to medicine, information, education and new technology. Because of globalization, many people in the world now live longer and with a higher standard of living. As a nation experiences economic growth and its standard of living rises sufficiently, citizens are able to afford and often begin demanding a cleaner and healthier environment.

6. What are some negative effects of globalization?

In recent years there have been large demonstrations against globalization in Seattle, Prague, Washington and other cities. The concerns of these demonstrators vary. Some are upset because they have lost their jobs due to foreign competition. Others believe that globalization is partly to blame for increased environmental damage throughout the world, since globalization results in increased industrialization. Others say that open borders lead to more terrorism, more illegal drug sales and the spread of AIDS and other diseases. Others argue that globalization leads to less cultural diversity as Western ideas and values spread around the world.

Some critics claim that industrialized countries, including the United States, receive more benefits from globalization than low-income countries. Some economists believe that although increased globalization has had many benefits for people in the developing world in the past, it has not led to the elimination of world poverty. The number of people living in poverty throughout the world remains unacceptably high. In addition, critics claim that globalization has not led to more stability in developing countries, as evidenced by financial crises in Asia and Latin America in the 1980s and 1990s.