

Globalisation

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Readings

For an anti-globalisation perspective see:

- Joseph Stiglitz, Globalisation and its Discontents, Allan Lane, 2002

For a pro-globalisation perspective see:

- Jagdish Bhagwati, In Defense of Globalization, Oxford University Press, 2004

For globalisation and poverty see:

- “Global Economic Inequality”, The Economist, 11 March 2004

For child labour see:

- Kaushik Basu, “The Economics of Child Labor”, Scientific American, October 2003

Economic Globalisation

Economic globalisation is the integration of national economies into the international economy through

- Trade in goods and services
- Foreign Direct Investment
- Capital Flows
- Transfer of technology
- Flow of workers

Features of Globalisation

Globalisation is driven by two features:

- Technological: particularly transportation, communication, and information
- Pro-globalisation policies among the world's policy makers

In this last sense, globalisation today is different from 19th and early 20th century globalisation: then integration co-existed with protectionism

Managing Globalisation

Globalisation can create several problems and insecurities:

- Movements of services and capital are extremely rapid and have created financial crises (Asian Crisis)
- Competition is sharper today, and insecurities are greater, than they were in a previous era: transfer of technology and multinationals mean that production is a global not a local phenomenon
- Producers in poor countries are exposed to risk as they shift from food crops to cash crops
- Consequently, “fair trade” as much as “free trade” is a big concern
- Globalisation has constrained the ability of national governments to provide for their citizens

Anti-Americanism

The anti-globalisation case is underpinned by some key sentiments:

- Globalisation gives licence to unscrupulous multinational corporations to pursue profits
- Many of these corporations are American and they dominate the world's business and cultural life
- So “Globalisation” is really “Americanisation”

Globalisation and Poverty

- Critics of globalisation argue that over 1980-2000 richer countries grew faster than poorer countries: so inequality between countries has increased
- Proponents of globalisation argue that the countries which benefited most from globalisation were China and India, home to many of the world's poor
- High growth in China and India has meant that global poverty has diminished: so inequality between people has diminished
- On a \$1 per day poverty line, percentage of poor people fell from 17% in 1970 to 7% in 1998: a reduction of 200 million mostly from China and India

Globalisation and Child Labour

- There are 186 million children (5-14) who are “working”
- Of these, 111 million work in hazardous jobs: mining, construction
- And 8 million are child soldiers or prostitutes
- So, 1 in 6 children are “child labourers” and most of them live in developing countries

Why Child Labour?

- Child labour is generated by parental poverty rather than parental greed
- So child labour declines with prosperity and that is why it is so difficult to eradicate In China child labour participation rate has fallen from 48% in 1950 to 12% in 1995
- In Cambodia, child labour participation rate has fallen from 29% in 1950 to 25% in 1995
- Imposing fines on firms that employ child labour (India's Child Labour Act) is worse than useless
- Firms just pay lower wages and the child has to work longer hours for the same target income

Imposing Labour Standards

- Being a worker is not the worst thing that can happen to a child
- Our concern should be with what happens to a child if he/she is no longer a worker
- A ban on child labour or boycotting child labour products can make children worse off
- Boycotting hand-knotted carpets made by children in Nepal made many children unemployed
- As a consequence, the number of child prostitutes in Nepal went up by 5,000-7,000

High/Low child labour equilibrium

- Labour supply is increased by child labour
- So, the general level of wages is low
- At low wages, adults find it impossible to earn enough to support families
- So, children are sent to work
- ❖ Labour supply is decreased by children not working
- ❖ So, the general level of wages is high
- ❖ At high wages, adults find it possible to earn enough to support families
- ❖ So, children do not need to work

So equilibrium can be *self-reinforcing*

Globalisation and Women

- Globalisation has increased women's participation in both developing and developed countries
- In developing countries, they are employed in manufacturing in the EPZs
- In developed countries, they are employed in services
- But, there is general concern about the exploitation of women

Agriculture		
Mining		
Manufacturing		
Construction		
Trade		
Hotels		
Transport, storage, and communication		
Financial services		
Business services		
Public Administration		
Education		
Health Care		
Community and Personal Services		

UK Employment, 2005 Q1: FT 3-4 September 2005

	2005, employment (000)	% change 1985-05
Agriculture	223	-34.6
Mining	171	-67.8
Manufacturing	3,133	-37.0
Construction	1,278	10.8
Trade	4,487	25.5
Hotels	1,747	55.8
Transport, storage, and communication	1,547	10.2
Financial services	1,085	22.2
Business services	4,042	91.8
Public Administration	1,442	0.3
Education	2,283	36.7
Health Care	2,879	47.4
Community and Personal Services	1,363	48.5
Total	26,680	16.4

Exploitation of Women

- Global Care Chains: women as servants
- Unpaid House Work: women at home
- Women in low-paid jobs: women at work