Classroom VIDEO

Teacher's Notes

Impacts of Globalisation

Duration: 22 mins

Program Summary

The nations of the world are becoming more connected and interdependent. There are many benefits to be enjoyed as a result of globalisation, but not all nations have benefited equally.

While people in industrialised countries are generally living longer, more comfortable lives than ever before, in poorer countries thousands of people die each year from easily preventable diseases like measles and malaria.

Income & Quality of Life Indicators - UNHDR

The United Nations Development Program, has commissioned this study that has been produced every year since 1979, which basically gives a number of indicators with regards to each country's performance that particular year.

There are many variables that the UN development report takes into account.

The most important element probably would be the per capita income of an individual and what is it that you are giving that person as a salary and what is that person earning as a result of his or her work.

Economic Growth & Economic Development

Economic growth and economic development are not the same thing. Economic growth refers to increases in a nation's output, or Gross Domestic Product (GDP). It does not take into account changes in the population, or the distribution of wealth.

Economic development refers to improvements in the standard of living for the citizens of the country. Economic development is reflected in the criteria that the UN Human Development Report monitors – increased per capita income, life expectancy, literacy rates, and education for a country's citizens.

Economic development is greatly assisted by investment in infrastructure – things like roads, dams, schools, hospitals and ports. It is also often associated with changes from a rural-based agricultural society to an urban, industrial-based society.

The United Nations Human Development report, takes three things into account – life expectancy, knowledge – measured by literacy and enrolment rates, and GDP per capita. From these statistics, it gives each nation a Human Development Index between 0 and 1 – the higher the index, the greater the development in that country.

The United Nations divides countries into 3 groups, based on their Human Development Index. High human development countries have an HDI of 0.8 or above. These countries have an average life expectancy of 77 years, and a GDP per capita of $US23,135.

Medium human development countries have a Human Development Index between 0.5 and 0.8. Their average life expectancy is 67 years, and GDP per capita is $US4053.

Low human development countries have HDIs lower than 0.5. Their average life expectancy is 49 years, and GDP per capita is $US1,186. Thirty out of the thirty-four low development countries are in Sub-Saharan Africa.

Many poor countries are dependent on agriculture for their income. Prices for agricultural goods are notoriously volatile, so a country's output, or GDP, and hence it's income, can fluctuate wildly from year to year.

A low income means that children often have to work to supplement the family's income, and there is little money available for health care. Inadequate health care and child labour mean that fewer children can attend school. Poor education leads to poor health and work practices. Which in turn lead to low incomes. This is known as the cycle of poverty.

Disease also plays a large part. HIV/AIDS, now affects 20% of the population in South Africa.

Some poor countries are also affected by civil war. As well as the death, disease and destruction that war brings, without a stable government, it becomes much harder to provide medical facilities and distribute food.

International convergence

Globalisation has resulted in the economies of the world becoming more interdependent. What happens in one economy affects what happens in other economies. In Europe, 25 nations with different cultures and identities have come together to form the European Union.

Most countries now have market economies. Since the failure of communism in the late 1980s, many formerly communist countries have adopted market systems.

There are still vast differences in the quality of life between rich and poor nations. However, things are getting better for most people in the world, no matter how slowly.

Between 1978 and 1998, average Life Expectancy improved. This was because fewer children were dying before their 1st birthday.

Income levels have also increased in most places. But the income of people in rich countries has increased much more than the income of people in poor nations.

Trade, investment and trans-national corporations

Increasing globalisation also means that trans-national corporations will go wherever they can make the most profit. Usually, these are countries where wages and taxes are low.

Although wages and conditions are inferior to those in highly developed countries, for many people there is no choice – they need the income that the work provides.

This can cause social problems. In Tiajuana, Mexico, shanty towns have sprung up as people come to the city looking for work, without enough money to pay for a home. This situation is repeated all over the world.

On a larger scale, cheaper transport has resulted in mass migration, as people in poorer countries travel to richer countries looking for work and a better life.

Environmental consequences

Globalisation has been made possible by rapid economic growth and industrialisation, which in some places has had a devastating effect on the natural environment.

However, due to globalisation, people around the world are also able to work together to solve these problems, or better still prevent them from occurring in the first place.

Impacts of Globalisation
Case Study – Ireland

The Republic of Ireland is a small, and relatively young country. Since it gained independence from the United Kingdom in 1922, its politicians have

experimented with both protectionism and free trade.

After the Great Depression of the 1930s Ireland adopted an extremely protectionist policy –Irish entrepreneurs and firms were encouraged to replace imports.

However, Ireland had a small population – 3 million – and a low standard of living. Firms and industries had few prospects for growth and development.

In the 50s we saw our population declining, despite a high birth rate, because so many people emigrated because they couldn't get jobs at a satisfactory wage level in Ireland.

But it was difficult to do anything about that until we were offered the prospect of membership of the EU.

Joining the EU meant that instead of having a market of 3 million people, firms in Ireland had a market of 300 million people.

The Irish government also saw another opportunity.

What we did was we identified key sectors and said 'We're going to aggressively go after these!' and we identified ICT – Information, Communication Technologies Sector – we identified the software sector, and we identified the healthcare and pharmaceutical sector.

We went after the best and the biggest, the most profitable companies in those sectors, and we said, 'We want you to be in Ireland.'

Ireland was also appealing to foreign investors, because it had a very low corporate tax rate.

We also have a very good educated workforce.

Most of the foreign direct investment that has fuelled Ireland's boom has come from America. Ireland is especially attractive to American investors because it is the only country in the EU that both speaks English and has adopted the Euro as its currency.

By the late 1980s, and particularly the 1990s, the new policies really paid off in terms of an economic boom such as we had never seen before.

We achieved very high rates of output, or GNP or GDP during the 1990s. We were easily the fastest growing economy in the OECD, and that translated into two important achievements. One was a rapid growth in the numbers at work in Ireland which transformed the society as well as the economy. It virtually eliminated the traditional Irish problem of high unemployment, and the related problem of high emigration.

There have been 700,000 jobs added to the Irish economy since 1991 to 2001. 700,000 jobs in a country the size of 3½ million. Much of that is primed by FDI.

We're currently exporting over $US110b or Euro. Of that figure we have a $20b trade surplus in our favour. So clearly moving away from being a small economy dependent on the UK as an export market, we have moved to being a global player, and we are the biggest exporter of software in the world.

There are some disadvantages however.

No longer having a separate currency, the Irish government and the Irish central bank, has no influence over the exchange rate, no influence over monetary policy or interest rates.

Also, the city of Dublin, Ireland's capital, has grown extremely quickly, and faces the same problems as other cities which are transforming rapidly.

If it was feasible to go back in time, I'm absolutely convinced that people would opt to stay where they are in the modern prosperous Ireland, rather than going back to the insular, poverty-stricken but quaint, Ireland of my youth.

Credits

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Comprehension Questions

1. What does the acronym UNHDR stand for?
2. In what year was the UNHDR first produced?
3. What does GDP stand for?
4. Define Economic Growth.
5. Define Economic Development.
6. Criteria such as per c______ i_____, l___ e________y, Literacy rates, and ed_______ are all measured by the UNHDR, and reflect levels of development.
7. Economic development is greatly assisted by investment in infrastructure, such as roads, d___, s______, hospitals and p_____.
8. Extension: Why does investment in infrastructure assist economic development?
9. What does HDI stand for?
10. Thirty out of the 34 Low Development countries are in sub-Saharan A_____.
11. Many poor countries are dependent on ___________ for their income.
12. What percentage of the population in South Africa is affected by HIV/AIDS?
13. How many people die from measles each year?
14. Most countries now have ___________ economies.
15. What is a shanty town?
16. Did the Irish government adopt a protectionist or free trade policy after the Great Depression?
17. Why was the population of Ireland declining in the 1950s, even thought birth rate was high?
18. Name three American companies that have established operations in Ireland.
19. Ireland is attractive to American companies because it is the only country in the EU that has adopted the _____ as it's currency, and has __________ as the official language.
20. How many jobs were added to the Irish economy between 1991 and 2001?