

ECONOMICS

Examine the effects of globalisation on economic growth and the quality of life, levels of unemployment, rates of inflation and external stability.

Economic growth

Globalisation is linked with higher economic growth around the world. Thus, it is the main driver to increase globalisation as countries join the process in order to benefit economically.

Economic growth, measured by increases in real GDP, is essentially growth in total output or total production of an economy.

Economic growth allows for a comparative advantage; countries specialise in the production of goods they make very well.

Economies of scale increases due to countries having access to new markets as well as increased competition forcing firms to become more efficient.

Quality of life

As economies grow, more money is filtered throughout society. Money is increasingly being invested into areas of health whilst increase production creates more jobs and GDP per capita rises.

Govt may take advantage of globalisation and invest in improving various quality of life outcomes in order to boost growth.

Thus, as the world economy becomes increasingly political and economically integrated, advanced countries like China can hugely influence and put pressure on other countries to improve their living standards.

Unemployment

On the whole, globalisation can lower unemployment. Through increased international trade and domestic growth rates, global production has expanded, creating new jobs.

As competitive domestic industries develop, their access to overseas markets increase, attract development, thus allowing domestic firms to expand and create new employment opportunities.

However, globalisation can result in rising unemployment, particularly in the short term. Structural unemployment will occur in domestic markets as increased competition from overseas firms will eradicate some industries who cannot possibly compete with such low prices from overseas firms. Although, in the long term these jobs should hopefully be replaced as domestic firms become more efficient and can compete with overseas firms.

Rates of inflation

Globalisation overall has positive impacts on inflation. The effects have increased international competition and lowered the market price of many goods. Thus, meaning consumers have access to cheaper imports, reducing imported inflation. Also, domestic firms become more efficient, helping to lower cost inflation pressures.

Many countries have used their monetary policy effectively to lower inflation rates by adopting a target inflation rate of 1-3%.

External stability/trade

External stability is how well a country is able to deal with the flows of imports and exports. Trade flows have increased due to globalisation. International trade has risen rapidly due to the removal of protectionist barriers like tariffs and subsidies. Thus, technological advances have made transport and communication cheaper and easier to use.

The value of exports have significantly increased by 44 times from 1970 to 2007. The value of trade in services throughout advanced economies has rapidly increased. Trade has redirected to become more regional through trade blocs and agreements.

The composition and direction of trade flows as changed. Oil and commodities have increased as well as elaborately transformed manufactures.