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Going global

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This article discusses how more globalised poor countries have had higher economic growth over less globalised poor countries. Globalisation referring to the process by which there is increased trading of goods and services and increasing integration in world capital markets. The economist more simply defines globalisation as a rise in the ratio of trade to national income.

The economist in plane terms is saying that increased trade (globalisation) has caused the high growth of more globalised less developed countries. Why does trade increase growth? There are four main economic reasons for this. They are comparative advantage, economies of scale, international competition, and spread of technology. Comparative advantage increases economic growth in that a country can specialise in producing goods and services at which it is most efficient at producing, concentrating its resources into the production of only these goods and services. Thus in the end the country makes more money then if it were to produce a wide variety of goods. Economies of scale with free trade are not limited to the domestic market. As economies of scale grow the average cost of production falls thus enabling more production and thus more growth. International competition increases growth in that it increases allocative efficiency, for firms will competing on the world market thus making them more efficient because they have to compete with low prices. And lastly the spread of technology, this increase growth because new methods of production reduce cost and thus more can be produced.

At the beginning of the article, it is said that 'Opponents of globalisation claim that poor countries are losers form economic integration', however the article fails to explain why, this is because the economist is exceptionally free market orientated, and thus pro globalisation. I feel that for a balanced judgment of globalisation the consequences also need to be looked at. Taking agriculture as an example, this being the most important industry in the less developed world, here it can be seen that globalisation opens markets, this to the benefit multinationals who under cut small scale local farmers forcing them to go out of business.

Further more the article is bias in that it states that China, India, and Mexico had a higher GDP per capita growth compared with countries in Africa where GDP per capita shrunk, claiming that this has come about because trade in African countries has decreased. What the article does not take into account is that China, India, and Mexico are for a start more economically developed than the Africa. In addition, Africa may be experiencing barriers to growth such as; Poor natural resources, untrained and poorly educated work force, rapid population growth, and a lack of an effective financial system.