Globalization

"Outline the differences between economic growth and economic development. Discuss how economic development may be measured. Outline how globalisation may impact upon a nation's development. Where appropriate make reference to a relevant case study."

Although economic growth and development are similar in meaning, they have some essential differences. Economic growth refers to the increasing ability of a nation to produce more goods and services. Economic development basically implies that individuals of that nation will be better off and takes into account changes in economic and social structures that will reduce or eliminate poverty. Economic development can be measured in a number of different ways including the Human Development Index, a Gender Empowerment Measure, a Human Poverty Index and a Human Freedom Index. All of these measures were developed by the United Nations Development Program. The World Bank also has its own indicator called the World Bank Development Indicator. Globalisation can have both negative affects on a nation. It can impact on the levels of economic growth a country may experience, impact on levels of unemployment or it may impact on a country's quality of life.

Economic growth is the expansion of a country's productive capacity. This leads to a rise in total national output. Growth can occur in two different ways; the increased use of land, labour, capital and entrepreneurial resources by using better technology or management techniques and increased productivity of existing resource use through rising labour and capital productivity. While theoretically having an increasing national output means greater material welfare and a rise in living standards, it does not equate to having higher levels of well being for individuals in that nation. Economic growth can, in fact, have negative impacts on a nation including environmental degradation and the loss of traditional cultural values. It also may mean there is greater inequality between different classes in society, that is, the gap between the rich and the poor may grow. It is for these reasons that economic development measurements are also used.
Economic growth as a measure fails to account for other important social and economic factors such as the size of the black market, domestic work which is not given a financial value, the level of damage to the environment and inequalities in income distribution. Various indicators have been developed to compensate for the limitations of economic growth measurements. Rather than just measuring the economic living standards in a country, development indicators measure the welfare of individuals in that country. The main development indicator used is the Human Development Index (HDI). It was devised by the United Nations Development Program (UNDP) to measure the economic achievements of a nation in combining economic growth as well as social welfare. The HDI takes into account three major factors:

· Life expectancy at birth: High levels of longevity are critical for a country's economic and social well being.

· Levels of educational attainment: The HDI measures adult literacy and the ratio of people in primary, secondary and tertiary education.

· Gross Domestic Product per capita: seen as being a measurement of the ability of people to access goods and services.
The HDI is essentially a score between 0 and 1. A score of 0 would mean no human development has taken place and a score of 1 is the maximum amount of human development. In 2000, the Human Development Report places Canada as the top ranked nation with a HDI of 0.935. Australia was ranked fourth, with a HDI of 0.929 behind Norway and the United States. The lowest ranked nation was Sierra Leone with a HDI of 0.252. When comparing the HDI of certain countries, the GNP per capita should also be considered. A nation with a much higher-ranking HDI than GNP per capita has had a relatively high level of economic development given their level of economic growth. Examples of this are Tajikistan (+43) and Cuba (+40). In contrast, some nations may have a higher GNP per capita ranking than their HDI ranking. This indicates that there is a very high level of inequality, that is high income levels are only enjoyed by a small proportion of the population. A country with this problem is South Africa with a GNP per capita ranking 54 places higher than their HDI ranking.
The UNDP has also developed a number of other indicators. It has developed a specific Gender Development Index which compares the HDI between male and female populations, a Gender Empowerment Measure, which shows gender inequality in economic and political opportunities and a Human Poverty Index (HPI) which measures similar outcomes to the HDI, but examines the extent of disadvantage faced by people who are being deprived of human development. The HPI is adjusted for developing and developed countries.

In 1991, the UNDP developed a one off indicator called the Human Freedom Index (HFI). This included such things as the right to travel in ones own country, the right to teach ideas and receive information, the right to have an ethnic language, the freedom from forced or child labour, the freedom from compulsory work permits, the freedom from censorship, the freedom for political, legal, social and economic equality for women, social and economic equality for ethnic minorities and the existence of independent trade unions. The UNDP discontinued this measurement as it was based on subjective facts and would not be a consistent measurement from year to year.
The World Bank Developed its own indicator called the World Bank Development Indicator (WBDI). This was made to supplement the Human Development Index. The WBDI mainly measures the quality of life, the success of measures to alleviate poverty, the current account balance, malnutrition, traffic congestion, tax rates, life expectancy, population size, educational standards such as literacy and infant mortality.
Another smaller economic development indicator is one developed by economists, James Tobin and William Nordhaus called the Measurement of Economic Welfare. This index takes into account real GNP per capita plus the value of a family's work. It also takes into account the balance of hours spent in leisure and work, pollution levels and the rate of environmental damage.

Globalisation can impact a nation in a variety of ways. A positive effect of globalisation for many nations is that it allows for them to achieve higher levels of economic growth. With higher levels of trade, world output will increase which inturn should mean higher levels of economic growth followed by increased standards of living. This has been particularly true for rapidly developing economies such as Thailand, Malaysia, Korea and Singapore. They have seen phenomenal growth figures throughout the nineties, although many were sent back to recession in 1997 after the Asia crisis. However, nations which had been struggling with achieving sustainable growth and standards of living, may have been further negatively affected by globalisation. With countries such as Africa opening up their markets, they have been inundated with imports, but at the same time unable to sell their exports. This equates to lower levels of growth for these countries and lower standards of living.

Globalisation has also affected unemployment rates. It has created millions of jobs throughout the world. Twenty-seven million jobs worldwide are now related to exportation. Even with these jobs being created, unemployment is still a major problem for most countries. With increased competition from transnational corporations, domestic employers must remain competitive and to do this they seek improved efficiency. This may mean reducing the amount of staff they have. Also, globalisation has meant that new technologies have been developed to improve efficiency. When new technology is implemented it generally means some jobs are made redundant. Another reason domestic unemployment may rise because of globalisation is that free trade has made many sectors of the domestic market uncompetitive with the global market. An example of this is the European Union, which have subsidised their beef exports. This has meant cattle farmers in Kenya have been unable to compete and have been removed from the market.
Rates of inflation can also be affected with increased globalisation. A country with a high rate of inflation will be less competitive globally because their products will be priced higher than others, so they are less competitive. Governments around the world use monetary policy to control the rate of inflation for this reason. If a country is unable to maintain low levels of inflation then its export sector is at high risk of collapsing.
Globalisation also impacts the quality of life for nations. It seems that the poor keep getting poorer. When countries open themselves up to international competition governments must apply economic rationalist principles. They may cut government spending in essential areas such as health, welfare and education thus reducing the quality of life in this nation. Also, countries with minimal government regulation often attract large transnational companies. This could result in the exploitation of the workers and the environment in countries where quality of life may already be low.
Poland is a country, which has opened itself up to the global economy. It became a free market in 1990 and since has made strong progress. Although in the very early nineties Poland experienced a sharp decline in GDP, it has since resumed steady growth. In 1999 its GDP growth was 4.1%. The private sector now accounts for over 55% of the total GDP. In early 1990, Poland was experiencing hyper-inflation with levels of up to 1200%. In 1999 the inflation rate was lowered to 7.3%, which although is still high by developed world standards, is slowly dropping. Also in the early nineties, Poland had huge unemployment rates with most sectors at around 30%. This has now been lowered to 13%, which again is high by developed nations' standards but is a lot less than the rates experienced early in the decade.

Essentially, the difference between economic growth and economic development is that one is a quantitative measure (growth) and the other is a qualitative measure (development). Economic development can be measured using a variety of indicators, mostly developed by the United Nations Development Program (UNDP), though another widely used indicator was developed by the World Bank. Globalisation can have many affects on nations, depending on their government policies and also on their economic status.