Ten very good things 9: Globalization [1]

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There is talk of food miles, of buying locally, and of self-sufficiency, as if these were virtues. The good thing (my number nine) is globalization which gives us all access to each other's special skills and products.

9. Globalization

Over the course of decades globalization is turning the world into an integrated economy instead of what it has been for most of its history, a series of relatively isolated economies. The more trading that takes place, the more wealth is created, and global trade across international frontiers has created more wealth than ever before in human history, and had helped lift more people out of mere subsistence than ever before.

To poorer countries globalization brings the chance to sell their relatively low cost labour onto world markets. It brings the investment that creates jobs, and although those jobs pay less than their counterparts in rich economies, they represent a step up for people in recipient countries because they usually pay more than do the more traditional jobs available there.

To people in richer countries globalization brings lower cost goods from abroad, which leaves them with spending power to spare and a higher standard of living. It also brings opportunities for productive investment in high growth industries in developing countries.

Those adversely affected by the global exchanges are the people in rich countries whose output is now undercut by the cheaper alternatives from abroad. They often need to find new jobs or to be retrained to do work that adds higher value. The extra wealth generated by globalization has brought an increase in service sector employment, which provides many of the new jobs needed.

Competition from abroad forces firms to become more efficient and to use resources more efficiently. Often they choose to go upmarket, seeking higher added value products that face less competition from relatively unskilled labour. Thus firms which once sold cheap textiles move into fashion and design, and find customers among the rising middle classes in developing countries.

The integration of the world economy has brought with it an interdependence. As countries co-operate in trade with each other, they get to know each other and grow into the habit of resolving disputes by negotiation and agreement instead of by armed conflict. The 19th Century French economist Frederic Bastiat expressed this pithily: "Where goods do not cross frontiers, armies will."

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