GLOBALIZATION AND ITS IMPACT: A NARRATIVE REVIEW

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Abstract

This paper attempts to study the numerous impacts of globalization. However, utopian the topic might seem, today people yearn for a globalized, unfettered world where seekers of knowledge could learn and grow unhindered by man-made constraints. This paper strives to answer the change in income disparity in developing and developed nations due to globalization. The effects of financial and trade globalization and the role of government are also analyzed. The increase in income inequality is examined through the case of China and India. The impact of globalization on the market and local producers is probed in a study of Michoacan, a state in Mexico. The benefits and downsides of the impact of globalization on local producers and the role of WTO in it are scrutinized. Our study also considers the impacton living standards and the social impact of globalization. The purpose of this paper is to offer a literature review on the impacts of globalization based on selected authors and to discuss their arguments to explain or back the various impacts to present a more cosmic and inclusive perspective.

Keywords: globalization, inequality and income

1. Introduction

Globalization is often referred to as the rise in global interconnectedness, but does this mean that these countries were isolated before globalization? Take India for example, India was connected with countries like China and Persia much before globalization ever came into being. This begs the question: what are the specific features of globalization that make it distinct from other instances of countries making connections?

Globalization is special because of the sheer scale and pace at which countries get connected. Technology is one of the most critical features that allowed globalization to spread so rapidly. With new communications technology like the telephone and internet, one person could easily connect with people in other parts of the world. This made the prospect of Multinational Companies (MNCs) possible. MNCs are companies that conduct operations in multiple countries. This made it such that companies in developed countries could set up manufacturing units in poor countries to lower their cost of production and maximize profits.

For example, Apple, a large company based in America, makes their iPhones in China because of the cheap labour and lower taxes. The practice of outsourcing is also on the rise. Outsourcing refers to the practice where companies hire a third party to do some of their functions. For example, many large companies outsource their call centers' work to Indian call centers.

MNCs can only set up shops in developed countries when they open up the economy, this opening of the economy is called liberalization. Liberalization refers to the removal of rules that regulate trade and finance. This made it so that imports and exports had little to no tariffs and institutions from abroad could now easily invest in the economy. In the context of many developing countries like India, these changes were led by the International Monetary Fund (IMF). When India was struggling financially, the IMF provided loans on the condition that India liberalized its economy.

Globalization is not just an economic concept. It has political and social dimensions as well.

1.2 Economic dimension

As it was previously discussed, the IMF and the World Bank have coerced many developing countries to open up their economies. Globalization has led to a rise in MNCs and outsourcing. One might say that both of these have helped develop countries as they provide employment. One might also say that these policies have benefited developed countries more than developing countries.

1.3 Political Dimension

Since globalization leads to the removal of regulations it also directly reduces state power to influence the market economy. Globalization also led to an increase in trade relations between countries which has led to more diplomatic understanding among countries.

1.4 Social Dimensions

Globalization relates to the interconnectedness of culture as well. One might argue that this might lead to the erosion of distinct cultures. An example of this can be Indians being heavily influenced by Western culture as Western brands populate the market, Western movies are shown in Indian theatres etc. Whether the changes are positive or negative is subject to debate.

The debates on globalization are endless. Considering its dimensions, it seems impossible to unravel whether it is a net positive or negative. It is also good or bad depending on its various stakeholders. How does globalization affect the distribution of income in a country? What are the social impacts of globalization? These are some of the questions one might think of when they think about globalization.

This paper strives to answer some of these questions. The first question studied in this paper relates to the change in income distribution induced by globalization. One might think since MNCs bring so much employment, it reduces income disparity. Another might say due to the import of newer technology, only skilled workers (like programmers) would be benefitted hence the increase in income disparity. When both statements are examined, one can see that both of them have no actual basis to them. They are both anecdotal and speculative, ashot in the dark as it seems. What might seem like common sense might be completely wrong when examined. For the research, only empirical studies are considered as it is the only one that can reasonably stand behind their findings.

This paper also tackles other questions like *"What are the social impacts of globalization?", "What are the effects of globalization on local producers?", "What are the types of globalization?"* and *"What are the social effects of globalization?"*

All these questions can be debated upon thoroughly and one still might not end up with any consensus. Concluding the introduction, the effects of hlobalization are a complex web of facts, figures and questions that ought to be unraveled. Even if contradicting results arise, they must be documented. All one can do is try and move closer to the truth; such is the life of the researcher.

2. Globalization and its effects on income disparity

Globalization refers to the increasing interconnectedness of the world. The term gained popularity in the 1980s due to the rapid spread of neoliberal policies during that time. The conventional wisdom on the consequences of globalization related to income is that it leads to more income disparity. We want to see if this is backed by empirical evidence or not by using previous research done on similar topics.

Economic researchers use various tools to find out values that cannot be found explicitly. One such tool is the Gini coefficient.

The Gini coefficient is a value between zero and one that measures the degree of inequality in the distribution of income in a given society.

When the value is 0, each member of the society receives the same income. When the value reaches 1, a single member receives all the income.

2.1 Globalization of Trade and Finance

When one thinks of globalization, one mostly thinks of industrial supply chains that span multiple countries, outsourcing of jobs etc. But we would like to point out another big feature of globalization which is the globalization of finance. Simply put, it is the ability to move capital across borders easily. It is largely characterized by the amount of FDI. This distinction will help us understand the effects of globalization with more focus.

2.2 Differing conclusions

Globalization is not an isolated process by any means it has social, economic, and political dimensions. Since there are so many dimensions and variables regarding globalization, conflicting conclusions occur frequently.

- One research suggested globalization has resurrected problems of global competition, job termination, salary reductions, labour immobility, and technology displacement of workers, accelerating the rate of global unemployment, with endemic inequality and poverty as a corollary (Wilfred, Andre and Slabbert, 2009).
- Most research however is not completely anti-globalization. Research also suggests things like tariff reductions might help the poor more than the rich (Jaumotte et al., 2013).

2.3 Differentiation between developing and developed countries.

The consensus on globalization is also that it benefits developed countries much more than developing countries. Here we are only concerned with the income disparity induced by globalization. We get some interesting results.

- While globalization has increased industrial wage inequality in developed countries by a significant amount, its effect on developing countries was small (Dreher and Gaston, 2006).

- In both developing and developed countries, financial globalization (particularly FDI) increases income inequality. For developed countries, outward FDI creates an additional negative impact (Jaumotte et al., 2013).
- The assumption that FDI is always good for developing countries is not empirically shown in the study (Agosin and Mayer).

2.4 Trade and financial globalization effects

Now that we come back to this topic, it is important to formally define the topic first.

- Globalization of trade refers to the process of linking regional markets to form an international one. It involves the loosening of trade restrictions, lowering of tariffs, rise in outsourcing, increase in privatization etc.
- Globalization of Finance refers to the opening of financial markets. It opens access to borrowing, lending, and investing worldwide.

Research has shown these two aspects of globalization often have different outcomes.

- Increase in exports and the reduction in tariff rates lead to a reduction in inequality. While the increase in FDI increases inequality (Jaumotte et al., 2013).
- Trade doesn't significantly affect relative property while financial openness increases both relative and absolute poverty (Santarelli and Figini, 2004).
- Financial integration leads to negative social effects and higher FDI leads to higher domestic wage inequality.
- Effect of trade globalization on income inequality is positive but small, while financial globalization pushes it upward by much more.

2.5 Role of the government and other factors

The government is a big factor in how globalization affects the economy. China, for example, used government policies in such a way that the negative effects of FDI were minimized (Lessmann C, 2013). Other than that, the size and stability of the country's financial institutions also play a big role in determining the effect of globalization.

- While FDI can increase income inequality, the extent of its effects is dependent on the absorptive capacity of the economy.
- This means that low levels of human capital and economic development can lead to more income inequality as FDI increases

- While high levels of human capital and economic development can even lead to a reduction in income inequality (Svilena Mihaylova, 2015).
- The relationship between FDI and growth relates to the strength of its financial institutions. The better the financial institutions, the more the growth (Lessmann C, 2013).
- There is lesser FDI-induced regional disparity in high-income countries (Lessmann C, 2013).
- Technological progress and domestic financial deepening[1] both lead to higher inequality. This can be explained by the fact that the rise in technology, benefits higher-skilled workers and financial deepening may benefit the rich more than the poor (Jaumotte et al., 2013).

2.6 Different regions, different outcomes

This section would like to further emphasize the fact that each country has many different variables at play. Hence, we look at some research done on singular countries and see their differences

- In Pakistan, the Gini coefficient rose from 0.36 in 1972 to 0.41 in 2005. It remained mostly at 0.40 throughout this period. The results suggest that globalization does increase income inequality (Hussain et al., 2007).
- Using data on more than 100 Chinese cities the researchers have concluded that there is a negative relation between inequality and openness.
- Cities that have more trade witness a faster reduction in urban-rural inequality (Wei, Shang – Jin and Yi Wu, 2001).
- In sub-Saharan Africa, Globalization is shown to worsen inequality, the negative effects of it decrease as economic development increases and financial deepening reduces inequality (Kai and Hamori, 2009).

[1]Financial deepening refers to the increase in the provision of financial services

2.7 Concluding Remarks

Globalization at the end of the day is such a large phenomenon we might never be able to understand all its implications. Some variables might have been missed, data could have been considered and so on. All we can do is move on and try to do our best from the information we have.

From all the papers that have been analyzed, there are a few points that echoed in many of them. Those conclusions are:

- Globalization of Finance causes much of the inequality produced by globalization itself
- While globalization of trade also causes inequality, it has a much smaller impact.
- The impact of globalization depends on the stage of the country's development and the education level of its workforce.
- The inequality-raising impact of inward FDI is related to the human capital level of the country.
- This happens as FDI usually happens in sectors where a highly skilled workforce is needed, hence resulting in an increase in demand and wages for those higher-skilled workers.
- The Impact of Globalization also depends on the quality of the country's financial institutions
- The role of the government is huge in minimizing the negative effect of globalization
- The government needs to ensure high human capital development and ensure high quality of its financial institutions

3. Globalization and Income Inequality

Globalization is an important economic force that affects most countries in the 21st century.

The relationship between globalization and income inequality is a subject of considerable controversy in economic literature. On the one hand, globalization is considered to promote economic growth and social welfare of the society where developing countries have a chance to reduce their gap with the world economy, while on the other, globalization is blamed for increasing income inequality.

Large inequalities can eventually undermine global integration and social stability thus hampering long-run growth prospects and the legitimacy of globalization.

3.1 Globalization: Historical Evidence

Since the Second World War (1939-1945), the world economy has become much more integrated, especially during the second wave of globalization. In the last two centuries (1800-2000) the world has seen an unprecedented increase in the capacity to create wealth and undergo technical change.

Let's now turn to the historical evidence of the impact of economic openness and globalization on world inequality.

3.1.1 The First Wave of Globalization (1870-1913)

The evidence from this time shows that the group of advanced economies back then converged the per capita income and real wages prevalent at the time and thus was able to reduce the income gaps among these countries. This happened because of the ease of trade and massive migration. However, other economies around the world were left behind.

3.1.2 The De-Globalization (1914-1950)

The 1914 to 1950 period was very disruptive for the world economy. This period included World War I, high inflation in Europe in the 1920s, increasingly restrictive practices towards international migration in the U.S., the great depression in the 1930s and then World War II. Global disparities widened in the de-globalization period, both between the richest and the poorest regions in the world economy.

3.1.3 Golden Age of Capitalism (1950-1973)

This period contained 25 years of rapid growth, relative stability, and declining inequality. The fixed exchange rate was applicable internationally which helped in maintaining the welfare state in advanced economies and the developmental state in developing economies. In this period the GDP gap from richest to poorest region fell from 15:1 in 1950 to 13:1 in 1973.

3.1.4 Second Wave of Globalization

This wave came after the fall of the Bretton wood system which led to the end of the golden period. The advanced economies that were continuously growing, faced deceleration ingrowth and an acceleration in inflation. The economic growth rate during this period was 1.33 per year, less than half of the growth rate of 1950-1973. The second wave led to an increase in inequalities. The convergence happened in Asia and the divergence happened in Eastern Europe and the former Soviet Union.

3.2 Inequalities in Developed vs Developing Economies

For the last two decades, rising inequality has been a problem for both developed and developing economies. Globalization and income inequality share a different relation in different groups of countries: developed and developing. Whenever globalization has increased it affects both groups differently. The distributional effects of globalization are contrasting between developed and developing countries. That is why different countries pursue different global economic policies to achieve a broader notion of economic well- being, which includes income equality as well as quantifiable economic growth.

3.3 Developed Economies

Countries which have high levels of economic growth and security are considered to have developed economies (common criteria for evaluation include income per capita) such as the United States, the United Kingdom, and the majority of Western and Northern Europe.

The role played by globalization in labour market outcomes and income inequality in developed countries has been a particularly fertile ground for research.

Most of the developed economies experienced increased inequality in labour earnings during the 1980s, there were considerable differences in development across countries.

Globalization affected income inequalities in developed economies in the following ways:

1. Economic and political dimensions of world globalization result in higher inequalities in developed countries.
2. For developed countries, imports from developing countries are associated with a reduction in inequality.
3. Increase in trade intensity increases inequality in developed countries.
4. Deepening of financial integration decreases income inequality in developed countries.

Among the developed countries, two experienced large increases (the United States and the United Kingdom); some experienced moderate increases in inequality (e.g., Canada and Australia); some experienced small increases (e.g., the Scandinavian countries, France, and Japan) and a few experienced slight reductions or increases.

* The United States and the United Kingdom continued to experience a rapid rise in earnings inequality.

(In the U.S., the changes in the sector composition of the economy from manufacturing to services and other non-tradable sectors are the most important force behind the widening of the wage gap)

Among developed countries, where the Gini coefficient has risen by an average of 0.6% every year over the sample period, the adverse impact of globalization is somewhat larger as compared to developing economies.

3.4 Developing Economies and Emerging Market Economies

Developing economies consists of economies which are not completely developed. An emerging market economy is an economy that is transitioning into a developed economy, it is in the process of industrializing.

In the following ways, globalization affects developing economies:

1. Increase in trade intensity reduces the income inequality
2. Increased depth of financial integration increases inequalities.
3. Low-income countries specialize in the production of less skill-intensive work. As a result, trade reduces the gap between the low-skill and high-skill workers within developing countries
4. Globalization has led to rapid changes in technology that has led to higher levels of inequalities in developing economies.

   *The adverse effect of technology on income inequality is more evident in Asia than in Latin America as manufacturing is a greater share of the economy in many Asian countries than in Latin American countries.

5. Developing countries that are moving away from the agricultural sector to the industry are expected to improve the distribution of income by increasing the income of low-earning groups

   Among developing countries, the Gini coefficient has risen by about 0.3% a year on average. Globalization has provided a small counterweight by helping in reducing income inequality.

In the major emerging market countries, trends are more diverse such as sharply rising inequality in China, little change in India, and falling inequality in Brazil.

China and India together constitute about 35% of the world's population. So, the study of globalization and inequalities in these countries will give us an idea of how income is distributed among large proportions of the population.

3.5 Globalization in China

In China, economic reforms were introduced in 1978 for various economic reasons (13 years before India). Economic globalization characterized by increasing international trade and foreign direct investment (FDI) flows has brought great impacts and led to dramatic changes in China's economy.

3.6 Impact of Globalization

China has had immense success in promoting economic growth and reducing poverty at a very rapid rate in the last three decades. According to World Bank estimates, the poverty rate in China reduced from 84% in 1981 to 15% in 2005.

However, the increase in income inequality in China has increased more than in the U.S. or any other economy which outweighs the positive impacts.

3.7 Income Inequality

In China, the income inequality between 1978 and 2006 has increased rapidly which has diminished the positive economic impacts and has raised controversy on whether economic globalization has contributed to economic and social instability within the country.

According to the data from the National Bureau of Statistics of China, the Gini effect has constantly increased from 0.194 in 1978 to 0.470 in 2006.

If you study the data from NBSC, the People's Bank of China and the China customs it will show that increased globalization has led to an increase in per capita GDP growth which deteriorates income distribution (i.e., increasing the Gini coefficient).

As for the reasons for income inequality worsening, the imbalanced development in different regions is one of the main reasons in China.

Since 1978, particularly since the early 1990s, China's economy has grown very rapidly but quite imbalanced. While the large cities and coastal regions have developed quickly, the other internal regions remain less developed and fall even more behind than before.

As a result, the faster the economy grows, the larger the income inequality in different regions, and the higher the country's Gini index.

3.8 Globalization in India

Globalization in India accelerated in 1991 during the introduction of the new economic policy:

- Liberalization
- Privatization
- Globalization

These initiatives became stronger in the early 2000s. Even the government of India was not confident about these decisions and the decision of opening Indian markets for global competition and they were taken forcibly due to the problem of balance of payments faced by the country. These decisions faced a lot of opposition from critics about their impact on the overall economy and life in India. The Indian experience with this has not been very bad. In many ways, globalization can be seen in India from international trade to international production in India.

3.9 Effects of Globalization in India:

India's GDP and involvement in international trade have sharply increased since 1991. The economic integration of India with the rest of the world has had a significant impact on export as it has increased from $1.66 billion in 1991 to more than $251 billion in 2011 in 20 years but the need for imports has also increased.

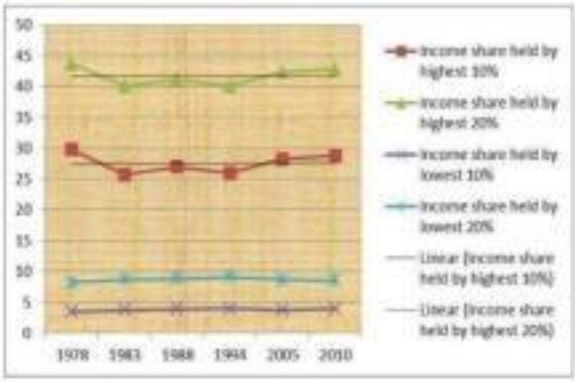
Globalization has also increased the share of foreign investment in India many times during the period from 1985 to 2002. Many multinational companies have entered the Indian market to produce and sell goods and services in local as well as international markets simultaneously leading to a huge positive impact on the manufacturing sector. Also, the per capita GDP and per capita income during the period of 1991 to 2010 have increased manifold.

3.10 Income Inequality

The process of globalization has led to huge economic progress in some countries but has also increased income inequality.

* Income Inequality in 2010 has significantly increased as compared to the level of inequality in 1991 along with the increase in globalization.

For a lower level of inequality in any society, it is important that the income is distributed properly in society and it reaches the last person in the queue. If that happens, the level of inequality in society would be lower.



Graph 1: Income distribution in India since 1978

From the above graph, the following conclusions about income inequality can be drawn:

1) Highest 10% income holders:

   Their income share has come down since 2010. As compared to 1978 however, it has increased between 1991 and 2010.

2) Highest 20% income holders:

   The behaviour of their income share is like the highest 10%.

3) Lowest 10%- and 20%-income holders:

   Their income share throughout the period remains around the same level.

3.11 Conclusion

- The age of globalization promises global prosperity. However, this is also an age of large inequalities that can eventually undermine global integration and stability thus hampering long-run growth prospects. The biggest cost of globalization is the growing income inequality.

- The results show that income inequality has increased mainly in middle and high- income countries and lesser so in low-income countries. It is the developed countries, rather than the developing countries, that oppose greater integration. That is, the developed countries do so because of increased inequality and the implied political consequences in their economies.
- In China, the worsening of income inequality is not the result of economic globalization and thus the integration with the global economy is not a contributing factor towards increasing inequality in the country.
- In India, after the globalization process started in 1991, higher GDP and income growth are leading to lower levels of poverty in the country but inequality has increased because of the distribution of income tilted in favour of the rich. This problem can be tackled by bringing some regulations relating to the distribution of income and wealth that can bring equality in society.

4. Impact of Globalization on the Market and local producers

Global Village is a term closely related to a world that has been minimized into a village by electrical technology and the instantaneous movement of information from every quarter to every point at the same time. Multi-national individuals thrive best in a world where freedom of movement ensures multicultural exchanges. Our world is developing its modern transport and communication. They have helped man conquer time and space; nations of the world have come much closer to each other as a result of these wonderful achievements. Now, the people are far closer than in the past, however, separated by vast distances. In other words, our world is shrinking.

4.1 Globalization widens horizons

Globalization opens doors for international trade as it provides a competitive edge to businesses to outsource raw materials at lower costs. It allows developing countries to utilize lower labour costs and developed nations to avail capital, technical expertise, and experience. In this way, different parts of a product are made in different parts of the world. Globalization has been used by the automobile industry where different motor parts are assembled in different countries. Not only products but services can be outsourced too. For instance, many companies in the United States have outsourced call centres or information technology centres from India and automobile companies have relocated their operations to Mexico where labour costs are lower, as a part of the North American Free Trade Agreement (NAFTA). This raises the national economy and standards of living of people as more jobs are generated for countries where jobs are needed. Globalization increases the possibility of developing countries becoming important players in the international arena. Low wage rates and the availability of skilled manpower have made India a destination for global outsourcing. Consumers gain too. Businesses can provide goods or services at a lower priceto the consumers. The reason behind this is that globalization decreases the cost of manufacturing.

4.2 Downsides: Small Fish in a Big Sea

Market-driven globalization has surged the economic disparities between nations and people. It has compromised the welfare and identity of local producers in developing nations. One analogy puts it this way: local producers or small businesses are like small fish in a big sea with other small and large fish, i.e., small and large businesses. Small fishes compete for the same food while the large fishes eat the small fishes for their sustenance. Globalization has enabled large industries into countries that previously were off their radar. It has strongly hit local producers as they are unable to compete with the MNCs because MNCs produce at a large scale and sell at comparatively lower rates. Local producers are unable to cut down on costs as they do not have much wealth. As a result, they cannot compete with large producers. Batteries, capacitors, toys, tyres, dairy products and vegetable oil are some industries where small manufacturers suffered due to competition. The aftermath was that small businesses shut down and many workers became jobless.

MNCs order products from Indian exporters who provide the cheapest products. To get large orders, exporters reduce labour costs. Workers work temporarily for long working hours. They work overtime and still, their wages are less. In this way, workers are also impacted by globalization. In Bangladesh, for example, the garment industry employs an estimated 4 million people but an average worker earns less in a month than a US worker in a day.

Local producers are small in business size and operation. Thus, the goods they produce only comply with local demands, tastes and preferences. Furthermore, some of them are dependent on raw materials which are available only in a particular season, i.e., seasonal businesses are prevalent. Limited storage and production supply curb the efficiency and skills of producers which makes them incompetent. This is true for rural non-farm enterprises which are dependent on the supply of agricultural production.

4.3 World Trade Organization (WTO)

The World Trade Organization is an international organization set up in 1995 that oversees the rules for trade between nations and establishes a rule-based trading regime in which nations cannot place arbitrary restrictions on trade. It facilitates bilateral and multilateral trade and helps producers of goods and services manage their businesses. Currently, there are 164 member countries which represent 98% of world trade. It is the successor organization ofthe General Agreement on Tariffs and Trade (GATT), founded in 1948.

4.4 Case Study: Mexican Dairy Production

The following case study shows the impact of globalization on local producers of Maravatio, Michoacan. The information presented is a part of the results obtained by 'The Economic Geography of Globalization' edited by Piotr Pachuca.

In central western Mexico, Maravatio municipality is part of the state of Michoacan. It is a high-poverty country where agriculture and livestock are the main activities of people. Maize is the central crop which is cultivated here. After the liberalization of the Maravatio market, the import of basic goods like maize and milk at cheap rates brought down the price for these amenities. It was difficult for the local producers to cut down on costs. The quality of products also posed a new challenge for the producers as the imported goods were cheap and of better quality than what the local producers produced. Many producers, as a result, left the market as they couldn't compete with international prices.

To protect the local small businesses, the government aided these producers by providing them with better infrastructure and operational facilities so that they can compete withinternational companies. New technology helped them improve and match up to their competitors and survive in the market. This helped the Maravatio producers push themselves up to global standards.

4.5 Conclusion

Globalization is here to stay. While it is a threat to local producers, it is very essential for the growth of a country. Local producers should try to adapt themselves to the dynamic environment. They need to improve their quality and efficiency in the face of international competition and ensure their survival in the market. Modification and diversification of production are paramount to comply with international standards.

5. The Impacts of Globalization on Living Standards

5.1 Introduction

Globalization is an ambiguous term that first appeared in the 1970s. It means differently to different people. Globalization in its basic economic sense refers to the adoption of an open and unfettered trading market through the lowering of trade barriers, removal of capital controls, and by the liberalization of foreign exchange restrictions. It gradually changed the world into a global village. It refers to the growing integration of economies and societies around the world. The economic dimensions include increases in the flows of trade in goods and services, capital and ideas as well as mobility of individuals across borders. While most economists agree upon the overall substantial benefits of globalization, especially in terms of growth and improvements in living standards, it is also recognized that the extent the countries have benefited has been so far uneven.

Globalization has affected the lives of people and their way of living very differently. It has played an important role in developing countries and brought a drastic change in economic processes, technological developments, political influences, health systems and social and natural environmental factors which ultimately improved the standard of living for people. It has created new opportunities for developing countries as well as for developed countries too. Such as technology transfer holds out promise, greater opportunities to access developed country’s markets, growth, improved productivity and living standards. However, it is not true that all effects of this phenomenon are positive. This is because globalization has also brought up new challenges such as environmental deterioration, instability in commercial andfinancial markets, and increasing inequality across and within nations. Although it made relationships between developed and developing nations stronger, it made each country dependent on the other one.

5.2 Impacts of Globalization

Ample empirical evidence shows that openness combined with sound domestic policies leads to faster growth, and faster growth transfers directly into increased living standards. A positive future impact of globalization on growth is also envisaged in the OECD 1997 study, which forecasts that the share of the global GDP of Brazil, China, India, Indonesia, and Russia will increase. Globalization is the driving force behind increased GDP per person.Due to globalization, there is an increase in productivity in the economy which significantly improved the overall GDP. The higher the GDP, the better off the country and its people's living standards are supposed to be.

5.2.1 Life Expectancy

It is observed that the living standards and life expectancy of developing countries increase through economic gains from globalization. According to the World Bank (2004) "With globalization, more than 85% of the world's population can expect to live for at least sixty years and this is twice as long as the average life expectancy 100 years ago". In the panel of 92 countries covering the period from 1907 to 2005. Using different techniques and samples, we find economic globalization in developing countries has a robust positive effect on life expectancy. However, some say that globalization also harms the life expectancy rate as it facilitates the spread of many new diseases like AIDS/HIV, bird flu, swine flu, and many other contagious diseases from a developed nation to the developing one. This influences the living standard and life expectancy. According to the World Bank (2004), the AIDS crisis has reduced the life expectancy in some parts of Africa to less than 33 years of age resulting in low living standards.

5.2.2 Education System

Globalization has improved education by allowing students to have easy access to the global world. There is an ultimate increase in education abroad. It raises the people's standard of living as International Education has a positive effect on the local economy. And these students have a positive effect on the real estate industry in buying and renting houses in that area. There is a lot of demand from overseas buyers which directly increases the living standards of local people. Moreover, international education supports job creation. The Group of Eight Australia (2014), highlights that every 10 international students could create 2.9 jobs for local people, to improve local people's income and living standards. On the other hand, we can see that education has increased in recent years because globalization has been a catalyst for jobs that require higher skill sets. This demand allowed people to gain higher education ultimately resulting in improving living standards.

However, some researchers say that with the increase in globalization, the quality of education reduces as academic institutions adopt a standardized education system equipped with all facilities that increase their cost which normal people cannot afford. Since there is no basic education, the people have to work for low minimum wages which reduces the quality of living.

5.2.3 Technological Advancement

The major milestones were the development of the internet and increased transportation technology. These two advances made the world set higher living standards. Countries such as Asia and Latin America have harnessed these technological advances. Medical technology advancement is another thing that brings a positive impact on living standards.

5.2.4 Health System

Globalization marked a significant impact on human health. It raised people's standard of living by providing better health services to them. Huynen et al. (2005) state that the World Health Organization (WHO) and World Bank play an important role in global health governance because health policy improved people's income and raised living standards. Secondly, medical technology also improved the standard of living. Sharing of the latest medical technology and research findings reduced the chances of pandemic diseases such as AIDS/HIV and SARS. Thus, health services impacted the standard of living by setting up health policies and sharing medical technology globally wide.

Globalization in healthcare has integrated nations of the world into a collaborative system. Where one developing nation might not have the right resources to handle the medical need, other nations can step in. It has pushed medical tourism and the efforts of doctors without borders in a positive direction. Medical tourism is travelling from one's own country to another for medical care. While that can mean a person travels to a more developed country for the care they cannot get in their own countries, today it often refers to someone who travels from a more developed country to a less developed one. Health organizations can save on costs by specializing in certain areas. They might outsource diagnostics imaging interpretations to save money. The only disadvantage that globalization has on the health of human beings is the more rapid spread of diseases and the introduction of new infectious diseases.

5.2.5 Natural Environment

After globalization adopted the benefits of economic growth, business people come with their new start-ups and industries ultimately destroying the natural environment. Air pollution that occurred due to the high rate of industrialization deteriorates the health and quality of living standards. Another consequence of rapid globalization is water pollution due to chemical waste in water bodies which highlights environmental and social change. In this context, China is suffering the most. Due to industrial chemical disposal in water, 70% of its rivers arepolluted and are not fit for consumption for any purpose (Huang 2003). This pollution was so bad that almost 100,000 people lost their lives due to pollution-related illnesses. Thus, it can be concluded that the high rate of industrialization is a result of globalization, which produces air pollution from chimneys and water pollution from chemical waste due to which the quality of life drops along with the living standards.

5.3 Conclusion

From the above research, it has been concluded that Globalization has a positive impact on improving people's living standards but there are some negative impacts too:

- Globalization has improved the life expectancy rate of developing countries but at the same time, it also opens the borders for many pandemic diseases to spread easily.
- It facilitates International Education which ultimately results in improving quality of life and living standards. It helps to get to know about the different cultures which are followed in different countries. It also benefits the real estate industry and creates more job opportunities.
- Technology advancement after globalization has affected living standards and quality of life positively. Medical technology has become a boon for human beings.
- Globalization provides better health services by setting up effective health policies and outsourcing work at a lower cost through a borderless world. Medical tourism has also become possible after globalization.
- After Globalization, the natural environment and living beings have suffered a lot due to different types of pollution and the destruction of national resources. Industrialization left behind the waste materials that affect the air and water bodies lowering health and enhancing the living risks for survival.

6. Conclusion

Considering the impact of these factors, globalization of finance causes much of the inequality produced by globalization itself while globalization of trade also causes inequality but it has a much smaller impact. The impact depends on the stage of the country's development and the education level of its workforce. The inequality-raising impact of inward FDI is related to the human capital level of the country. This happens as FDI usually happens in sectors where a highly skilled workforce is needed, hence resulting in an increase in demand and wages for those higher-skilled workers. The quality of the country's financial institutions and the role of the government also play an important role.

While globalization is a threat to local producers, it is very essential for the growth of a country. Local producers should try to adapt themselves to the dynamic environment. They need to improve their quality and efficiency in the face of international competition and ensure their survival in the market. Modification and diversification of production are paramount to comply with international standards.

Technology advancement after globalization has affected living standards and quality of life positively. Medical technology has become a boon for human beings. It provides a better health service by setting up effective health policies and outsourcing work at a lower cost through a borderless world. Medical tourism has also become possible after globalization. It has improved the life expectancy rate of developing countries but at the same time, it also opens the borders for many pandemic diseases to spread easily. After globalization, the natural environment, and living beings have suffered a lot due to different types of pollution and the destruction of national resources. Industrialization left behind the waste materials that affect the air and water bodies lowering health and enhancing the living risks for survival.

The age of globalization promises global prosperity. However, this is also an age of large inequalities that can eventually undermine global integration and stability thus hampering long-run growth prospects. The results show that income inequality has increased mainly in middle- and high-income countries, and less so in low-income countries. It is the developed countries, rather than the developing countries, that oppose greater integration. That is, the developed countries do so because of increased inequality and the implied political consequences in their economies.

In India, after the globalization process started in 1991, higher GDP and income growth are leading to lower levels of poverty in the country but inequality has increased because of the distribution of income tilted in favour of the rich. This problem can be tackled by bringing some regulations relating to the distribution of income and wealth that can bring equality in society.

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