

Problem Solution Essay Draft 1

(For Peer Review)

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C2 Group 4

Essay

Globalisation is commonly acknowledged as a major driver of the modern economy where global reshifting of labour pools as well as increased access to larger markets have massively increased profits for companies. This change, however, comes at a price: a widening income gap. In developed countries, the outsourcing of labour to cheaper locations overseas has caused unemployment within the working class. Protectionist and social solutions have been suggested by economists and politicians to combat this problem.

Globalisation has created wealth for developed countries, particularly America, through the outsourcing of production lines and manufacturing. However, it has also taken jobs away from the proletariat class in these countries creating a wage gap between the working class and the wealthy. Outsourcing is a problem for the less skilled workers in developed countries because foreign labour in developing countries is inherently cheaper. The adoption of outsourcing is a logical step for companies who wish to maximise their profits. According to The Economist (2007), workers in the furniture manufacturing industry were laid off when retailers in America found cheaper suppliers in China. The employment vacuum created by the export of labour requirements to foreign developing countries has decreased employment opportunities for lower skilled workers in

developed countries while enriching corporate owners increase the gap between the poor and the rich.

Governments may implement protectionist policies to protect the interests of the local economy against the profit-driven motivations of the globalised capitalist free market. However, In the American free market, competition and innovation drives the economy. If policies were implemented to ‘place Americans first’, the market might stagnate due to the decreased competition which might in turn cause fewer jobs to be created. According to an analysis of Donald Trump’s proposal for American protectionism by Moore and Kudlow (2015), ‘immigrants fill niches in the labor market that natives can’t or won’t fill’. Thus, the jobs that outsourced or immigrant labour adds to the overall productivity and can contribute to the creation of new jobs with the creation of new businesses. Admittedly, the solution does not address the people who live below the poverty line through any mechanism as the wage gap still exists between the rich and the poor. A middle ground such that free trade may still continue to exist but in such a way that the needs of everyone are prioritised before profit should be sought. Protectionism taken to its extreme can harm the economy but a measure of it is necessary to protect vulnerable citizens who are unable to participate in the process of globalisation.

Globalisation is not inherently stable with the backlash it has been facing in recent times resulting in governments adopting protectionist policies as a response to an angry voter base. Companies should look towards defending globalisation from hostile legislation by taking the initiative to implement socially responsible internal policies that ensure society as a whole benefits. Corporate social responsibility is a voluntary initiative undertaken by corporations and companies to reduce the negative impacts of their operations on society. This is relevant to reducing the increasing unemployment rates outsourcing is causing

in developed countries. Grassroots initiatives may help key managerial staff understand the issues faced by the working class and guide the creation of progressive policies. Proper inclusion of corporate social responsibility during planning in a company can be effective. For example, re-training programs can improve the hireability of employees who are laid off. Sutter (2013) cites Michael Norton, an associate professor at Harvard as evidence that the breaking down of social barriers between the rich and poor can spark the development of policies that are beneficial to both the proletariat and bourgeois classes. An issue with this approach is that most companies adopt corporate social responsibility solely as a marketing strategy. Regulation on the part of governments for corporations to adopt progressive internal policies might also be opposed to the goals of a profit-making organisation. Nevertheless, corporations that participate in globalisation must be aware of their corporate social responsibilities and seek to implement policies that help cushion their adverse impacts. This acts as a means of closing the income gap by preventing the working class from descending into poverty as well as protect globalisation from protectionist policies implemented by governments in reaction to angry voters.

Globalisation has introduced the concept of outsourcing: the export of labour requirements to developing foreign countries. This creates an unemployment vacuum in developed countries for the working class who find themselves laid off by companies who wish to maximise their profits. Ultimately, this widens the gap between the wealthy and the poor. Governments may implement protectionist policies that ensures the needs of the local population before utilising foreign labour. Conversely, corporations and companies may make the compassionate decision to implement progressive policies as part of their corporate social responsibilities. This effect is twofold: the working class is able to stay above poverty and reactionary governments are dissuaded from implementing stricter

regulation on the free market. Globalisation is a modern marvel that has improved the lives of the middle class in developed countries and has brought a higher standard of living to those in the developing countries. However, it has also been a great divisor: it has the capacity to make a lot of money and it is this money that ends up in the pockets of the top 1%. The introduction of policies both regulatory and voluntary can only go so far. For an egalitarian society to bloom, wealth should not only be produced but be distributed fairly and justly to everyone.

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