

Globalisation doesn't automatically make countries better off

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Only a small number of countries benefited from the first wave of globalisation around 150 years ago, while the majority of nations ended up worse-off, a new study by the University of Warwick has revealed.

Luigi Pascali, a Professor of Economics in the Centre for Competitive Advantage in the Global Economy (CAGE), led the research and says it's proof that international trade doesn't automatically lead to [economic prosperity](#).

In his working paper 'The Wind of Change' he looks at data taken from a period of the 19th century when many countries suddenly became open to international trade following the introduction of the steamship.

Up until the mid-1800s the distribution of goods around the world was determined by sailing vessels which relied on global wind patterns to get from coast to coast.

But the steamship dramatically changed the way the world did business and led to a marked acceleration in the buying and selling of goods on an international scale – it was the first wave of globalisation.

"This is an ideal testing ground in which to observe the effects that globalisation can have on economic development – albeit only for a brief period of history," said Prof Pascali.

"I looked at a novel set of data from the time and used it to make trade

predictions focusing on urbanisation rates, population densities and per-capita incomes. What I found was that the majority of nations actually lost out as a result of globalisation during this short period in history – which astonishingly goes against the widely held belief that globalisation generally has a positive impact on the world.

"What also became clear from the study was that it was only a small set of core nations with inclusive political institutions that benefited from [international trade](#), whilst the negative effect was felt by countries characterised by absolute power – which was the majority at the time."

Prof Pascali concluded: "What my study shows is that inclusive political institutions are vital to ensuring [globalisation](#) results in prosperity and history presents a warning to modern day policy-makers that [economic development](#) shouldn't be taken for granted."

More information: The working paper is available online: [www2.warwick.ac.uk/fac/soc/eco ... 195-2014_pascali.pdf](http://www2.warwick.ac.uk/fac/soc/eco...195-2014_pascali.pdf)

Provided by University of Warwick

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