



Globalization Makes the World Unequal

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Abstract

Does globalization make the world more unequal? If it does, how it affects on income gap between countries? In this paper, I will illustrate the cause of only limited the inequality in between- countries rather than within-countries. This paper is organized as follows:

Firstly, I will introduce two main different issues about whether the globalization makes the world unequal or not. Secondly, I will cite ample data to illustrate the change (increment or decrement) of across-countries after globalization. Thirdly, I will use China as an example to analyze my own idea. Finally, I will summarize my points and give my suggestions for this issue.

Keywords: Globalization, Unequal

1. Introduction

Is globalization the main cause of the inequality of the world--leading to the rich getting richer and the poor getting poorer? Some economists support that globalization is a potential benefit to the world economy and every country can benefit from it. In free international trade, the capital and the technology can flow across political borders. Redistribution of these resources will improve the efficiency of the output and increase the income worldwide. On the contrary, another point is liberal economic globalization widens the income gap not only between countries but also within countries. As the old saying: 'facts speak louder than eloquence.' We cannot easily pick up one of the two opposite opinions and take it for granted. A reasonable answer could only be found from powerful data and facts!

2. The analysis of inequality between countries

As Robert Wade said: "the equal world's income distribution would be powerful evidence that globalization works to the benefit of all countries, it would give developing countries good reason to integrate their economies closely into the world economy .it would answer some of the fears of the anti-globalization protesters." Let us accept the assumption that every country (participating in globalization) gains from the trade integration, but does each one gains equally? Which countries could gain more than others? To analyze the inequality between-countries, we need to understand how globalization works from the theoretical aspect.

Convergence theory, which is if trade is free, then capital can move to countries offering the highest returns, meanwhile, if knowledge itself mores across political borders so that countries always have access to cutting -edge production technologies, then there is no reason for international income differences to persist for long(PAUL R,Krugman,Maurice Obstfeld)

As the convergence theory would predict, some countries do decrease the income difference with the integration of the economy. For example, Canada, it was 27 percent poorer than USA in 1960, but by 1992, it was only 9 percent behind. Canada's catching-up process makes a general phenomenon clearer, the *tendency foe gaps between industrial countries' living standards to disappear over the postwar era*. Moreover, not only happened to industrial countries, *some countries such as hongkong (belongs to china by law), Singapore, South Korean, and Taiwan, per-capita real income increase fivefold every generation! (PAUL R,Krugman,Maurice Obstfeld)*Every country is gaining from globalization no matter how different it is.

However, when we look at another side of coin, we know that theory does not always conform to reality. For instance, comparing with USA in 1960, the finger of GDP for ARGENTINA is 4481, only 5000 less than USA's 9908. In contrast, in 1992, Argentina has only 4708 comparing to 17986 in USA. The same increasing gap as Africa and Latin America, that means globalization probably expanded The steep rise in income gaps between nations. This result also matches up the world report illustration: *average per-capita GNP in the richest economics is 63 times that of the average in the poorest developing countries.(PAUL R,Krugman,Maurice Obstfeld)*In 1960, the GDP in the 20 richest countries was 15

times greater than that in the 20 poorest countries, but now, the gap has risen as much as 30 times, meanwhile, the percentage of the poor countries in the world in 1960 was 10%, by now, this has increased to 20%. (data from Chinese newspaper) Furthermore, when MR Milanovic and YURI DIKHANOV and Michael Ward use the same data to calculate the Gini coefficient for the world income distribution, they find that between-country inequality is increasing.

Why this sharp divergence happened? The answer will be combination of (1) the structural feature of developing countries. Generally, the direction of economy development in developing countries are centralized/directed by government rather than by market itself (2) There is a long history of high inflation, high unemployment rate and financial instability in developing countries, *it will lead to government pursues key macroeconomic goals other than rapid growth.* (PAUL R. Krugman, Maurice Obstfeld) Furthermore, another main point that's worth mentioning is that based on abundant capital resources and high-tech skills, developed countries are easier to grow faster than developing countries.

3. The analysis of the author's point to globalization

In the data I quoted above, it is very hard to tell whether globalization makes the world unequal or equal. Personally, I support that globalization make the world unequal, even though, it has the positive effect on the world economy. At the same time, I also believe that it will become to equal eventually. I will use China as an example to support my point in the next paragraph.

Growing inequality in the world is analogous to inequality in China. China, with GDP growth average 7 percent, being regarded as the most potential developing country, has undergone the unprecedented change during last 20 years. Nevertheless, GDP per-capita in rich urban cities such as Beijing and Shanghai is four to ten times that in poor rural cities such as Guiyang and Qinhai. (data from Chinese website) We can consider the developed countries in the world as the rich urban cities in china and developing countries as the poor rural cities. Because of the different foundations, such as capital, technology, population, culture and regional policy, these factors make some cities grow faster than others do, so does the world. Facing to the globalization, some countries such as USA, Canada, has comparative advantage. Actually, the problem of increasing the income gap will became the problem of the relative growth rate. As Jeffrey Sachs and Andrew Warner said: there is should have general tendency for the poorer countries to grow faster in order to reduce the income gap gradually, otherwise, it will formed that: the poorer are getting poorer, the richer are getting richer."

In 1978, when Chinese government decided to reform and open China economy, Xiaopin Den said: the fundamental approach to escaping from poverty is making some developed cities to get richer first, and then spur and pull the less-developed cities get progress to take the road to common prosperity. It is unavoidable to China to keep away from widening income gap at the certain particular stage, the same as the world economy. At the beginning process of globalization, some countries with comparative advantage will benefit more from international trade, some will get less. However, the developed countries can be the best engines to promote the development of the poorer ones.

Of course, the situation is different somewhat; because in China, the government could eliminate the inequality by ways of redistribution, tax system and transfers payment system, etc. Unfortunately, because there is not a "world government", those approaches are not effective. Sometimes the efforts of trying to reduce the income gap between countries can be only made by ways of such as the developed countries aids and endowments. But it is not as efficient as in one country.

4. Conclusion

Does globalization make the world unequal? It is always a controversial issue that whether globalization leads to the world becoming a more unequal place. My answer is yes. However, from my point of view, it is not a bad thing. Because it has more on positive effects on worldwide economy than on the negative side .we have to admit that globalization has made the world economy into a newly open era, which provides opportunities and benefits to everyone.

Globalization is an irreversible trends, every country will integrate the world economy sooner or later. Meanwhile, it is also a "big time "for at least 400 years, (LANT). During this period, many unexpected problems could happen. To the government, the important thing is how to take a positive, cautious macroeconomic policy to exploit it. More important, it is high time to take actions to tackle problems such as how to reduce the income gap gradually.

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