

Globalization and Inequality

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Abstract: From the beginning of globalization, the world was bound together, and became more and more inseparable. There was a great amount of differences around the world before globalization started, while globalization eliminated it. Although experience rises and falls, overall, both the political aspect and technological aspect keep developing, which drives the global market to become more efficient. Simultaneously, people in academia started focusing on inequality as a problem. Especially for economic inequality, including the visual gap of rich and poor and the difference of opportunity costs for different social classes, are greatly affected by globalization. However, how do the effects work and how to value the effects is the popular question without consensus. The minority, whether they think it's a good thing or not, acknowledge that globalization reduced the social inequality among the countries but exacerbated inequality within the countries. | This paper focuses on the complicated relationship between globalization and inequality by comparing and contrasting recent studies and ideologies in this area. The core problem within globalization appears to be the existence of the gap between political globalization and economic globalization. As economic globalization keeps integrating all of the countries around the world, the political globalization process is still suffocated by the national boundary lines in every country.

Keywords: Globalization, Inequality, International Politics

1. Introduction

Broadly speaking, scholars hold three different attitudes toward globalization. Some scholars regard globalization as a bad thing due to the exacerbation of inequality within the countries. By tearing up the countries, it can lead to turbulence and undermine the democratization. Some other scholars believe that although the inequality within the countries is getting worse, everyone no matter rich or poor becomes much richer than before, which means the poor are enjoying globalization as well. The only thing that causes inequality is the growth speed of the rich's wealth is much quicker than that of the poor. Hence, these scholars think globalization is a good thing and inequality is not a serious issue. The third part of scholars focus on how to alleviate the inequality during the globalization process rather than evaluate it. These scholars always put their eyes on equalizing opportunity for everyone to be educated.

Mainly based on the same database, scholars come up with different explanations. What caused the diversity? Does globalization reduce or reinforce inequality? What are the main

factors of globalization and inequality? Is the inequality acceptable? How to solve the inequality in the globalization process?

This paper aims at showing the internal relationship between globalization and inequality from diverse aspects and ideologies, including economics, politics, and sociology etc..

2. Define Globalization and Inequality

When the two words, “globalization” and “inequality”, are mentioned, people always use their broad sense. While scholars analyze these two things, they define the narrow sense for each word first. Therborn (2001) views globalization as not only a concept, but also analytical focus or perspective. He used two dimensions or variables to capture scholars’ four main positions on globalization:

Table1: Positions of Globalization.

<i>Dimensionality</i>	<i>Unidimensional</i>	<i>Multidimensional</i>
<i>Historicity</i>		
<i>Uniqueness</i>	1. Economic / Cultural Rupturalists	2. Sociological Rupturalists
<i>Recurrence</i>	3. Economic Historians	4. Sociological Historians

For instance, Kuznets curve (Kuznets,1955), also known as the Inverted U curve, which used to show how industrialization affects the inequality, belongs to the first position; and the Kuznets wave (Milanovic, 2016), which is a refined version of Kuznets curve that shows how different motivator in different historical period drives the Kuznets curve, belongs to the fourth category. Therborn also listed three variables of the world within the globalization process: processes of social structuring, process of enculturation, and social actions. (Therborn, 1995)

Based on these variables, Therborn arrived at three types of inequality: vital inequality, existential inequality, and resource inequality. Globalization lowered the cost of healthcare (Lukas, Georg), but it doesn’t enhance the best healthcare that people can get for a lot. So it helped to reduce the vital inequality. Globalization also reduced gender inequality (Gordon, Maura, Michael 2012) and discriminations that relates to race, culture, and so on (Sadykova, 2014). However, when the question comes to resource inequality, scholars start holding different views. Economic inequality is obviously a resource inequality; the inequality on political influence is in fact a resource inequality as well. “Citizenship Rent” (Milanovic, 2016), the term that describes the inequality of the intrinsic value of different nationality, belongs to the resource inequality as well.

3. Political Inequality

3.1. International Politics and Political Hegemony

Political inequality is the perennial source of social conflicts (Dallmayr, 2002). Western countries have undisputedly dominated international politics since the dissolution of the Soviet Union. Dallmayr strongly endorsed Huntington’s words:

“Western domination of the UN Security Council and its decisions, tempered only by occasional abstention by China, produced UN legitimization of the West's use of force to drive Iraq out of Kuwait and its elimination of Iraq's sophisticated weapons and capacity to produce such weapons. ... After defeating the largest Arab army, the West did not hesitate to throw its weight around in the Arab world. ... [The West is] using international institutions, military power and economic resources to run the world in ways that will maintain Western predominance, protect Western interests and promote Western political and economic values.”

In recent years, when globalization requires more and more international corporations, the international institutions like the United Nation is mainly controlled by the West due to its leading military force, technology, and economical influence in the world. Because of the different nationality, an European or American citizen has more power than a citizen from Africa in general.

Furthermore, the one who has power can always acquire more preferential policy, which will speed up one's development. As a result, in international politics, the gap between the West and the rest of the world keeps growing. Democracy, however, requires equal political influence for everyone in a broad sense. While the globalization and the increasing international cooperation benefits the one that is predominant itself. In other words, globalization undermines the democratization process worldwide.

3.2. International Govern v.s. Anarchy

To ensure justice and equity in any given society, it's essential to have an appropriate amount of governance and laws. While globalization keeps operating and playing its role, so far, political globalization is still missing. Due to the absence of an effective global government but weak international institutions, the world cannot operate as a whole. Globally speaking, the world is in anarchy. (Basu, 2016) In this status, due to the lack of necessary resources relocation and protection of individuals, the world can easily fall into turbulence. Moreover, poverty and inequality will occur to an unacceptable degree.

Economists always regard the Gini coefficient as an easy way to show the economic inequality in a given place. (Bourguignon, 2016) Among all the countries, in general, the Gini coefficient is in the range of 0.3-0.6. However, the Gini coefficient for the whole world it's about 0.7, which is higher than all of the countries. In this case, the World Bank and International Monetary Fund were established to help to reduce poverty for decades, while the high Gini coefficient shows that it's somehow helpless. The high Gini coefficient also confirmed the serious inequality in the whole world, which is the sign of lack of effective governance.

3.3. Plutocracy

In the high-income countries, globalization, technological progress, and the rising importance of finance propelled the appearance of winner-take-all societies. Right after, plutocracy appeared in these societies, which strengthened the inequality in these societies. The poor's voice was mostly ignored by the politicians in these countries, since the politicians always needed to cater to the rich's requests in order to get campaign finance from the rich in exchange. (Milanovic, 2016)

The plutocracy, especially in democratic countries, can hardly be changed by itself. The rich will always get what they want through a legal way. Simultaneously, the poor's political influence was eliminated gradually. In contrast, in countries that have one party systems, such as China, globalization can hardly affect their political systems.

3.4. Gift for the Rich

In the globalization process, the “Citizenship Rent” is a cuff of the poor. However, the different policies among countries and the absence of an effective global political institution is a gift for the rich. Be afraid of the firms moving to other countries, governments cannot set high corporation tax rates. While the rich can always choose the best country to place their firms and industries. In the past 20 years, the average corporation tax rate of the countries in the Organisation for Economic Co-operation and Development was reduced from 45% to 30%. (Basu, 2016) This means the firms in these countries gained an additional 15% of revenue in twenty years.

On the other side, for the poor, citizenship fixes them to stay in their own country. In the globalization process, the firms and industries can always change their places, while the laborers are always fixed with their citizenship rent. Globalization grants mobility to goods, services, markets, and the rich. Hence, life is getting easier for the rich, but always stays the same for the poor.

4. Economic Inequality

4.1. Industrialization and Economic Inequality

Since the 19th century, industrialization and globalization complemented and promoted each other, and brought a great change to the whole world. In the beginning of global industrialization, the various inequalities within the countries based on social classes was the main reason that caused the gap between the rich and the poor. After some countries were industrialized, the various inequalities between industrialized countries and those countries that are not industrialized became the most important part of economic inequality. While after most of the countries passed the industrialization process, the social classes within the countries became the main reason that resulted in the economic inequality between rich and poor once again. (Milanovic, 2016)

In the last few decades, although the economic inequality in the world is still a severe problem, the degree of it keeps reducing. Bourguignon (2016) stated that the development in China and India in the recent years is the cause of the decreasing global economic inequality. These two countries’ population size provided a great amount of blue-collar workers who were previous farmers. These people’s income was greatly promoted, which boosted the lower 50% of the global population’s income, so the global economic inequality looked downward. At the same time, however, those poor people in places like Africa didn’t have the same level of promotion. In other words, the global economic inequality still remains just as it was like before, and is even getting worse since the poor didn’t change while the rich in developed countries became richer. Industrialization helped the top class in developed countries and middle class in developing countries, while those poor people who live in poor countries can hardly share the fruit of industrialization.

4.2. Equality v.s. Freedom

Free market and economic equality are always on the two sides of a scale. It’s the government’s duty to keep the balance. Globalization drives the global market to be more open and efficient, and everyone should be able to enjoy economic freedom by earning the money that right equal to his/her ability and can protect the individual property. While people have different abilities, economic inequality will occur in the free market.

If the government intervenes in the market to alleviate the inequality by relocating resources, it has to undermine the economic freedom. (Dallmayr, 2002) However, if the government doesn’t intervene in the market and give the poor a baseline, the poor cannot even be admitted

to get into the market. For the poor, they cannot afford education. As a result, in general, they don't have skills to flee away from the informal sector. While the formal sector cuts down most of the dividend from globalization.

In the globalization process, the rich found their way to sell their skills, technologies, and knowledge, and became richer. While the poor stays poor, and only enjoys a lower price index. They have neither equality nor freedom since they don't even have a chance to change anything. Hence, the government intervention gives them at least a chance, and the freedom to choose if they want to change. In other words, a certain degree of government intervention can refine the globalization process.

4.3. The Acceptable Inequality

It's undoubtedly true that globalization motivated global economic inequality. While it still benefited almost everyone in the world. Although elites around the world take a big chunk of the cake from globalization, there is some leftover that benefits the ordinary people, and the population size of the ordinary people who's enjoying the leftover is huge.

It's impossible that everyone enjoys the same amount of benefits and steps forward at the same time. (Deaton, 2017) When an evolution appears, whatever it's in the technology area, politics area, or some other areas, it's always a small percentage of people who can enjoy it first. As time passes by, when the new breakthrough becomes more and more popular, it is more accessible for the left part of the people.

Since the 19th century, globalization started benefiting people with more diverse goods and more efficient and open markets than before. The market provides people better opportunities to buy and sell their goods and services with fair prices, so that all of the people in the market can enjoy it. No one can criticize that there's anything wrong with using a good or service to exchange for a fair amount of money. While when the goods or services were changed into some things that are not based on the production but speculatively action, or, simply commercial flaut, the openness of the market becomes sinful since it can cause a greater loss. However, only a fool will quench a thirst with poison.

In summary, the globalization process impaired neither the rich nor the poor. The reason that caused the increase of economic inequality among countries is the globalization process benefits the rich more than the poor, and benefits some people earlier than the others. In this case, the economic inequality is acceptable.

4.4. Technology and "Race the Bottom"

Under the pressure from high technology and "race the bottom", most of the low-skilled workers in developed countries were predetermined to see their lives keep getting worse and worse and have nothing to do with it. Robots and low-wage workers from developing countries replaced their peers in developed countries with lower costs. Then, the global markets get goodes with lower prices.

At the same time, in developing countries, everything is stepping forward. People in the countries are getting a great amount of job opportunities, foreign companies and foreign capitals are fueling up the whole economy, and the purchasing power is increasing, which means the people can buy more good stuff. In this process, part of the poorest 20% of the people became richer than before, which helps to relieve poverty. Even though the economic inequality stays the same or even getting worse, the poor people's quality of life becomes higher than before.

4.5. Education

Education is a good way to alleviate the poor but not the economic inequality. As the poor learn more skills, the rich keep learning as well. But after the poor are educated, they can find jobs with better salary and less manual work. In other words, the baseline is boosted. As the result, productivity is improving simultaneously. According to Hershbein(2015), by comparing the employment data from 1979 and 2013, the result of hoping the education to improve salary is not that optimistic, yet it still helps a little.

5. Resistance of Globalization

5.1. The Culture Destroyer

In the globalization process, the whole world is unifying. People around the world are using the same goods, watching same movies, playing the same game, and doing the same work. The most eye-casting example is the process of how the textile industry puffed cross England and America, the “Four Asian Tigers”, China and India, and Honduras, Vietnam, Indonesia, and so on and so forth. It’s like a successful model that people just copy and apply it into wherever they need it. After painting the format, the culture in all the places started to look similar. Like all the gift shops that are near to famous scenic spots, except the title and logo, the goods are almost the same in different places.

When the mainstream culture, or, the Western culture absorbed nutritions from other cultures and gained a greater diversity, the other cultures were dying. When globalization comes, everyone follows the majority to stay in the safe zone. When the whole world becomes one, it’s not necessary to have more than one culture. Furthermore, the different cultures look like a small problem that obstructs the market from embracing openness. Only the sensational or fashion part can be adopted by mainstream culture as a toy.

Globalization brings us a shallow and vapid world.

5.2. Coexistence Issue

According to Rodrik’s (2000) point of view, to keep impelling the globalization process, all the countries need to eliminate trade barriers, coordinate rate systems, regulatory systems, and so on. But the nation-state’s regimes would not be willing to do this. Hence, Rodrik gave three solutions: a. Give up a part of each countries’ sovereignty and coordinate the systems and laws to achieve the integrated national economies (globalization); b. Limit the ability to provide public goods, which equals to give up mass politics, in exchange for sovereignty and enforce policies that can support globalization; and c. Give up globalization to keep state sovereignty and mass politics. With these three solutions, Rodrik stated that in the globalization process, one of three factors - integrated national economies, mass politics, and nation state - has to be given up, as the following diagram:

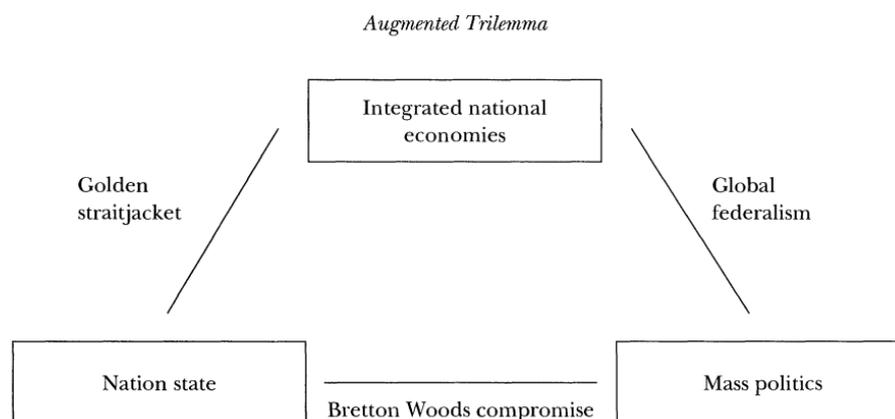


Figure1: Augmented Trilemma.

The core of globalization is protecting the free mobility of resources, labor, and power. Protecting the free mobility of resources can benefit the upper class people who have the essential productive factors; protecting the free mobility of laborers can benefit the blue-collars; protecting the free mobility of power can benefit everyone. However, all three of these cannot work under the nation-state system where the countries' boundary line stops them.

5.3. Deglobalization

Deglobalization is a part of globalization. When the economic structure changes, there's always a part of people who will be harmed by the change. This part of the people is the abandoned part from the old structure and cannot be filled into the new structure directly. However, in a few decades, as the new generation who were educated to adapt to the new economic structure get into the labor market, the deglobalization will automatically be eliminated.

6. Conclusion

In the globalization process, the current issue to solve is the gap between economic globalization and political globalization. In my point of view, political globalization can hardly be done in short term due to the national boundary lines but will be done after a long term. Although the power always follows as where the money flows, the nation-state view will not be changed easily. Moreover, in all the developed countries that have democratic systems, the silent majority who suffered from globalization are now grouping up and standing out for globalization. It'll be harder and harder to impel policies that support globalization as time goes by, yet not impossible. On the contrary, I think the power of money will drive the elites to push forward globalization slowly but confirmedly.

Although the scholars have focused on the economic inequality and argued about it for a lot, I think this is not a real problem. It's just the middle class's moral pursuit that is driving and pushing this topic. However, the elites who are really controlling the power are the one who benefited from the economic inequality, and the poor who are in Africa and similar places that suffer from the economic inequality have no political influence in either international politics

or Western countries' politics. Nothing will really be changed except a few gives in charity from the western politicians who want to get a nice reputation in the middle class by doing so.

Cultural globalization is similar to political globalization. Either exporting ideology or selling the culture related goods like movies and sport games is a reason that is important enough for countries and merchants to try hard to push cultural globalization. While it's also the easiest way to destroy all of the minor cultures, and also changes the mainstream culture to a fickle one.

Globalization as the representative of pursuing economic freedom will always keep progressing. The political globalization will be achieved step by step. Economic inequality will not be eliminated, but everyone's life will get better.

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