# GLOBAL INEQUALITY

## Introduction

The gaps between the rich and the poor can be seen growing all over the world, despite the fact that the rates of poverty have significant reduced (OECD). The high level of economic inequality can also be attributed for the various societal outcomes such as the level of educational attainment, life expectancy as well as economic growth. This paper seeks to give an insight into the worrying trends in global inequality.

## Discussion

The rise in emerging economies such as China and India has played a major role in the on-going reduction in overall global inequality, as evidenced by the decline in the proportion of people living in abject poverty from 1.9 billion in 1990 to 836 million in 2015 (World Bank 2015). Consistent with this development, projections demonstrate that a massive influx of people will be witnessed in the middle class globally, that is poised to grow from 1.8 billion in 2009 to 4.9 billion 2030. These positive global trends are strained by the present inequalities evident today and which give a clear reflection of the fact that not only does the income level of a community matter but also how well it is distributed in the community. This highlights the urgency for the need for such inequalities to be addressed in order to build a future that is more sustainable. Despite the positive global trends in income growth, the level of inequality is also still growing within countries, an aspect that implies great risks to these individual societies. It has been demonstrated by global trends that the gap between the rich and the poor peaked a new in 2015, where it was established that the richest 1 % accumulated more wealth in a much higher amount of wealth that the rest of the world combined together (Oxfam 2016).

Income inequalities in the OECD countries were at their highest recorded level over the last half of century (OECD). The population’s richest 10% proportion has an average income that is nearly nine times that of the poorest 10%across the OECD countries. It has also been established that by OECD that a statistically noteworthy impact of income inequality is felt on economic growth, that has consequently cost the UK 9 percentage points off its GDP growth between the years 1990 and 2010, whist the US losing almost 7 percentage points.(OECD). The Change Readiness Index measures the capabilities of governments, civil societies and businesses, to initiate economic change and also in utilizing the opportunities in investments in 127 countries. In 2015, it established that the endeavors of countries to address crises, for instance natural disasters and social unrests, are constrained by economic inequalities (KPMG 2015). An intrinsic link exists between inequalities in income and those in social inequality. This is evident in developing countries where a great proportion of the populace will likely perceive it in terms of being an omen of injustice, unequal opportunities and also as insider privilege (Roberts and Parks, 2007).

Economic inequality is particularly destructive in the economies of developing countries given the fact that it interacts with underdeveloped markets and the ineffective governance programs that significantly hinder the realization of significant growth levels. Consequently, this contributed to slow progress in the efforts to reduce the levels of poverty. Economic theory suggests that weak credit markets coupled by inadequate public education imply that investments opportunities can only be exploited more by the rich. This is further advanced by the inability of the middle income and poor households to borrow, thereby missing out on perceivable potentially high returns on their own assets such as farms and small businesses with potentially high returns that could rival the incomes earned by the rich on their capital (Gensler, 2017). Economic inequalities also reflect the level of educational attainment. The most able children who come from low income families miss out on opportunities to get quality education and skills that would have maximized their individual economic prospects, as well as the growth of their countries in general (Durlauf, 1996:Inequality.org, n.d.).

Another example of the negative impact of economic inequality can be seen in Latin America where the historic high concentration of land as well as the concentration in income realized from the exploitation of minerals have in turn resulted in a legacy characterized by limited opportunities in education, a small middle class that is dependent on the state and a large majority households that are adversely poor or near-poor (Cingano, 2014). In East Asia, inheritances of the 2nd World War resulted in equitable distribution of land. It also resulted in a political impulse for heavy investments in education and health that resulted in a growing middle class that was founded on the premise of increased productivity in small-scale agriculture and also technologically oriented manufacturing that was job intensive. A big proportion of the sub-Saharan and Eastern Europe face the risk of government institutions becoming unresponsive to the basic needs of the citizens in a vicious cycle that constrains their growth in income. Most developing countries are also characterized by a very small middle income proportion of their total populace; hence, a more unequal income distribution in the small middle class proportions (Cingano, 2014).

Countries whose economies lack a significantly robust middle class risk having their most responsible leaders, in cases where applicable, to get caught up in temptations of populism and /or protectionism. They also risk using inflationary financing to quench the budget frustrations as well as insecurities consequent to the majority being insecure. Such economies also risk the rich being reluctant to finance the tax burden linked with long-term productive investments such as education and infrastructure (World Economic Forum, 2017). Results of inequality implies that despite increased opportunities in education, the children of the poor will tend to remain poor, with those coming from rich families can enjoy an average of ten years of quality education. Therefore, the income inequality existing in one generation is quite likely to undermine the political capacity of the best governments to guarantee more equitability in opportunities for the next generation.

## Globalization and inequality

Globalization has posed a fundamental challenge to inequality (Dabla-Norris et al., 2015). It has de-equalized global markets, thereby facilitating the situation of rising inequalities in developing countries rather that reducing it. This is fostered by reasons such as the tremendous associated economic gains intrinsic of the global markets no longer being equally shared. This can be attributed to fact that markets reward the people in possession of the right assets such as financial capital, entrepreneurial expertise and human capital among others. This is contrary to higher education serving as the essential asset as the global market required (Skillman, 2016). Returns attributed to higher education have enjoyed a tremendous rise over the years globally, especially since the turn of the 1990s that rapidly increased the premium salaries enjoyed by university graduates.

Some individuals are in countries that have invested heavily in the highly globalized sectors but in the wrong assets such as a high dependency on the export of primary commodities such as oil, cotton and/ or coffee. This cannot be perceived as resistance to globalization since they registered higher trade ratios some decades ago than those enjoyed by some of the most successful globalized countries such as china (Hill, 2015). They are also seen to have reduced their tariffs against imports to rates that can be compared to their counterparts in the developing countries. However, the dramatic decline of the world prices of such exports relative to cost of their production has resulted in their stunted growth and/or or decline (Dabla-Norris et al., 2015). It is therefore evident that the middle class, economic and political institutions that are requisite in the generation of credible and stable policies of such countries have been unable to lure private investments that would have otherwise given these economies the ability to diversify.

Another reason on the dis-equalizing nature of globalization is that the global markets are not perfect, thereby exhibiting failures in several domains. Examples of market failures include scenarios of pollution that manifest in polluters realizing the benefits of pollution without having to pay the full cost of it. Globally, there are high levels of greenhouse gas emissions from counties such as the US whose costs are imposed on poor countries. In addition, global financial crises such as the crises of the 1990s whose effects were felt by countries such as Mexico, Korea, Thailand, Brazil and Russia were in part caused by policy errors in these individual counties, but also in part by the panic that plagues all financial markets periodically (International Monetary Fund, 2002). These have dis-equalizing results within countries in the long run. For instance, Korea, Mexico and Thailand bore the incidence of the financial crises significantly that resulted in the 80% of the bottom households’ income shares being reduced significantly compared to that of the top 20% households. The incidence of the 1995 recession in Mexico resulted in the poor being forced to take their children out of schools, with many never returning thereafter (Musacchio, 2012). In other developing countries, the resultant bank bailouts resulted in high public debt that could reach the tune of 10-20% of their annual GDPs relative to the 2-3% average in developed economies (Birdsall, 2006). High public debt results in domestic interests remaining high, thereby impeding investments, job creation and growth. All these are badly felt by the poor when compared to the rich. High public debts also results in increased pressure on the economies of the emerging markets for them to generate primary fiscal surpluses. These reduce their capability to fund investments in sectors such as health and education in the long run, and also further constraining their ability spend on safety net programs such as unemployment that cushion the poor in difficult times (Wolff, 2013)

Furthermore, there is a tendency of global markets to dis-equalize as a result of trade, migration as well as intellectual property regimes globally, hence reflecting the great market power enjoyed by the rich (Suter, 2010). The battles witnessed today that are aimed at reducing essential country agricultural subsidies as well as tariffs are good examples for consideration with regard to the rich discriminating against the poor. This problem is precipitated by domestic politics in Europe, Japan and the US despite their pervasiveness, have much weight in negotiations rather that addressing the inequalities in market opportunities (May, 2017).

The evident challenges to global security, stability, a shared prosperity as well as social justice that can be enjoyed globally ought to be addressed since they are indicators of a much bigger problem. Global markets are deemed by many to be lenient to the rich regardless of education or in countries that that have stable and soundly functional institutions. This, therefore, requires agreements that would foster the adaptation of a worldwide social contract that addresses the inequality in endowments, with the objective of increasing educational opportunities for the poor and the vulnerable proportions of the populace, as well as to boost the abilities of countries to establish sound institutions (Onuoha, 2015). The imperfect nature of global markets calls for global regulatory rules and regulations to be developed that facilitate the management of the global environment, and to come to the aid the emerging markets in coping with the global financial risks. It also calls for the establishment of ways through which corruption can be discouraged alongside other processes and tendencies that are anti-competitive (LENGER, 2016). There is also the notion that global rules advance the interest of the rich, therefore calling for the strengthening of the disciplines brought about by materialism, and also the creation of an environment that enhances creativity with respect to poor countries being represented more in global forums. It is also essential that the endeavors to complete the Doha multilateral trade round to be completed in the perspective of development and a willingness to deliberate on new global institutions that can be better suited to address new and emerging global challenges such as the establishment of an international organization to manage migration. It is imperative to establish a platform in which diverse thoughts that echo the vibrant and powerful instruments that all countries can use to equitably increase their wealth and improve their welfare.

## Conclusion

Global inequalities in income distribution and income generation capacities need to be address given their dis-equalizing effects on growth. This should be achieved by the international community establishing organization to facilitate the convergence of mutual development goals for equitable distribution subject to the value of endowments. Developing countries should also be assisted in the establishment of sound and stable institutions that would enable them implement their development agenda and therefore achieve more equitable distribution of wealth and income that would to less social inequalities and injustices.

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