

# [Political science assignment 4](https://assignbuster.com/political-science-assignment-4/)

[](https://assignbuster.com/)[History](https://assignbuster.com/essay-subjects/history/)

Globalization and the Gap between the Rich and the Poor ID: Question Number Globalization and the Gap between the Rich andthe Poor Global inequality in wealth is a considerable factor in the modern world. Approximately 1. 3 billion people, a third of the population of the world, have less than a dollar in income each day. In 1991, the richest 20% of people in the world grew in income levels to 85% of the global income, while the poorest 20% had incomes around 1. 4% (Pieterse, 2002). Global inequality has been a significant problem throughout the world for a long time, and is influenced by many factors, including economic growth and decline (Sachs, 2001). However, prevalence of globalization present in the modern world has the potential to significantly alter this pattern. Countries throughout the world are not equal in their level of wealth of the prosperity of their citizens and the income of the country has a strong impact on the wealth of its citizens. Some countries, such as the United States, are considered to be wealth, and have high livings standards, while other countries, such as Africa, have a much lower level of wealth and are in economic decline. As such, there is a large level of global inequality between the rich and the poor states (Sachs, 2001). Nevertheless, inequality also exists between the rich and the poor within a given country (Dollar & Kraay, 2002). As such, inequality is both a global and a domestic problem. Global inequality predominantly occurs as the result of the differences in economic success between countries. There are many factors influencing the economic growth of a country, and these can influence both the level of economic success and also the likelihood of it. In particular, there are four forms of economic failure that can occur which increase the inequality between rich and poor states. The first of these is the poverty trap, where the country simply does not have the necessary finances to achieve economic growth. The second is state bankruptcy, where the state is unable to manage its debts. The third is a liquidity crisis, where the capital flows for the state are suddenly reversed. Finally, the fourth form of failure is a transition crisis, which occurs when the state is undergoing a significant economic or political change (Sachs, 2001). These factors are critically important for describing why some countries, like Africa, remain poor, while others experience significant economic growth. It can be argued that as globalization increases, the distribution of income becomes more equal throughout the world, leading to a decrease in the number of people who live in extreme levels of poverty, and a narrowing of the gap between the rich and the poor. Research suggests that in many cases this is the case, with evidence developed from the current ‘ wave’ of globalization suggesting that globalization serves to increase progress, create stronger economies and reduce the inequality between nations (Wade, 2004). However, there is also growing concerns that the impacts of globalization are not as overwhelmingly positive as they appear (Ravallion, 2009). Globalization has had complex impacts on global inequality, with some indications suggesting that the gap between the rich and the poor has got wider, while others suggest that this difference is actually decreasing. There has been a long-term trend towards greater inequality, both within nations and also between them. However, there is evidence that, in recent years, the trends have been stabilizing, and may even be reversing. This is driven by the substantial growth that has occurred within India and China, both of which are large countries, and were initially poor (Dollar & Kraay, 2002). Consequently, through this form of measurement, globalization has served to decrease global inequality between different states. However, despite the evidence for a positive impact of globalization, global inequality is not only a function of the differences in the rich and the poor between countries, the inequality within a country is also important. While globalization may increase the income of poorer countries, the impacts on their citizens are not necessarily the same. China is an example of this. While China’s growth as decreased the difference between itself and the richer nations, inequality has increased within the country. Consequently, while the wealth of the upper class has risen quickly, the income of the lower levels of society have not kept pace with this growth (Dollar & Kraay, 2002). This means that globalization has the potential to shift the location and appearance of inequality rather than resolving it. Inequality is a prevalent aspect of the world today, despite the prevalence of globalization. The differences in wealth between countries are primarily the result of variations in economic success, often driven by economic failure in countries whose economies are declining. Globalization is thought to distribute wealth more evenly throughout the world and decrease these disparities. However, while research strongly indicates that globalization acts to reduce disparities between states, it may increase them within states. Thus, policy makers and researchers need to be careful when evaluating the impacts of globalization to ensure that all of its effects are being taken into account. References Dollar, D. & Kraay, A. (2002). Spreading the wealth. Foreign Affairs, January/February. Pieterse, J. N. (2002). Global inequality: Bringing politics back in. Third World Quaterly, 23(6), 1023-1046. Ravallion, M. (2009). The debate on globalization, poverty and inequality: Why measurement matters. International Affairs, 79(4), 739-751. Sachs, J. D. (2001). The strategic significance of global inequality. The Washington Quarterly, 24(3), 187-198. Wade, R. H. (2004). Is globalization reducing poverty and inequality. World Development, 32(4), 567-589.