Global Inequality Analysis

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The success of humanity is shown throughout the ages and has been a definite answer to the evolution of humanity. In this world everything is improved or created by a worker to aid someone with a task at hand, but there are always inequalities in the world that affect the daily life. Some of the global inequalities that everyone is affected by are income, education, wealth, health and residual inequalities. All these variables can be looked at by two perspectives. First perspective is to look at it globally, such that all countries are affected by the same factor, macroeconomy. Secondly, it can be looked at such that it only affects factors within country, microeconomy. There have been many scholars do studies in this field and try to find a solution for all major global inequality. Some of the scholars, whose study has made an impact in this topic are: Elhanan Helpman for the studies in wage inequalities, George Ritzer about general global inequalities, Robert C. Feenstra for the study of globalization in outsourcing/wage inequality and lastly a study done by Facundo Alvaredo and his colleagues for the analyzation of world data (WID.WORLD data) for income inequalities. “Globalization incites controversy both within and beyond the academy it provokes vociferous debates and contradictory responses” (Ritzer, 2007, p 47). Thus, allowing us to understand the problem of inequality through information analysis and further pursue the remaining questions in inequality’s impact on economy. From the information presented by the scholars, we can relate the correlations between their standpoints and disagreements to look for optimal solutions to modern inequality.

Helpman, E. (2016). Globalization and Wage Inequality. *Globalization and Wage Inequality,*1-40. doi:10.3386/w22944

Firstly, the scholar Elhanan Helpman published Globalization and Wage inequality article to investigate the international commerce affect on collage wage premium and the contribution of famous economist Katz and Murphy. In Helpman’s studies, the points were split into three stages. The first stage analyzes the empirical evolution of the role of foreign trade in raising the collage wage premium and how it heavily relied on the trade theory of Katz and Murphy. In this stage the affect of imports being higher than exports causing an issue within country labour force, that the workers within country are demanded less than workers outside the country. The second stage discusses affects of technology on collage premium. During the 1980 there was a large spike in the collage premium due to skill biased of technology demand in the market. The countries that are developed have more/better technology available to offer to the workers causing the demand for better processed goods to rise. The last stage is understanding the affect of residual inequality, such as education, experience, gender etc. of the worker. There are lot of factors that can judge the productivity or chances of the worker finding a job in the field of their expertise. The relationship between exports and wages implies that trade impacts wages between workers employed by firm with different characteristics, because of residual inequality. All these stages are used to explain the wage inequality by Helpman in his article help understand inequality and to this day this article is referenced by many other scholars.

Ritzer, G. (Ed.). (2007). The Blackwell Companion to Globalization. *The Blackwell Companion to Globalization,*565-592. doi:10.1111/b.9781405132749.2007.00033.x

In the course HERQ 1710 at York University we analyze the study done by George Ritzer, The Blackwell Companion to Globalization chapter 28: Globalization and Global inequalities: Recent Trends Firstly, Ritzer disuses the topic of globalization affects on inequality and how it causes there to be a boost, sometimes compression, on inequality. When a country starts to become more global it raises worlds productivity through factors such as cheaper or skilled labour. Second factor that is further explored is income inequality globally. Income inequality can be split into two types: type one is impact on nation and second type is impact within nation. Also, showing the affects of the term ‘rich getting richer and the poor getting poorer’ through examples. Lastly, Ritzer stresses the point of health inequality in the world. While income inequality mostly applies to rich countries, health inequality applies to everyone. As a country continues to develop it becomes exposed to more technology and allowing them to find optimal solution to their problems. In modern days countries tend make health their top objective, such that “there is relatively less ‘surplus’ health in the world than surplus economic production, so levels of inequality in health tend to be relatively lower” (Ritzer, 2007, 574).

Feenstra, R., & Hanson, G. (1996). Globalization, Outsourcing, and Wage Inequality. *Globalization, Outsourcing, and Wage Inequality,*2-10. doi:10.3386/w5424

Globalization, Outsourcing and Wage inequality is a paper written by Rober C. Feenstra and Gordon H. Hanson, in which he analyzes and explains the affects of manufactured goods and problems found from the study. Net exports are one of the major factors that make up a country’s gross domestic product. Looking into Canada’s net exports, it is noticed that there in an increase in imports that is leading to decline in the net exports. Further causing Canadian workers to be considered less demanded than foreign labour. By causing domestic labour force to be in less demand will lead to increase in inequality and cause the firms to start outsourcing. Feenstra discovered two problems from his study that cause a hole in the study of inequality. Problem one being that outsourcing is positively correlated with the change in relative employment of nonproduction workers, but weakly negatively correlated with the change in relative average annual earnings of nonproduction workers. This causes the workers to also start outsourcing to firms with high demand. The second problem that is discussed is the movement of firms going offshores for cheaper production and skilled workers. Reducing jobs and employment rate in domestic country. Since the study was conducted during the 1996 most of these issues have been further investigated and new studies were conducted by these scholars.

Alvaredo, F., Chancel, L., Piketty, T., Saez, E., & Zucman, G. (2017). Global Inequality Dynamics: New Findings from WID.world. *Global Inequality Dynamics,*3-10. doi:10.3386/w23119

Lastly, the study conducted by Facundo Alvaredo and his team gives a full break down of income inequality, private vs public wealth income ratio inequality and wealth inequality using the numerical data base provided by WID.World. First inequality analyzed is income inequality and how it is distributed in countries such as USA, China and France. The top one percent in these countries are the ones with most income shares and USA has most of the one percent individuals, followed by China. Looking at the income as a country there is a positive trend but looking at the income within country there is a huge difference between the top one percent and rest of the population. Looking into the countries it is noticed that USA and France have been on decline in the public property, the shares of public wealth in national wealth, and soon to be negative values. Private property has important consequences on inequality of income and wealth. In USA and China, net public wealth has become negative, causing there to be limits to government’s ability to redistribute income and mitigate rising inequality. From the wealth income ratios inequality analysis, it is easier to understand the wealth inequality at its base. There was a decline in the wealth share for these countries until the 1995, after that period the wealth share started to go into an incline. There are combination of factors explaining this trend of wealth share. First, higher income inequality and low-income stagnation lead towards wealth inequality. Also, the process of privatization and access of household equity played important role to cause a fast rise of wealth in Asian countries.

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