**Globalization and Inequality**

It would be wrong to come right out and say that globalization has definitely caused or not caused more inequality since the factors of inequality are so large. After reading and viewing many articles, papers, etc. and including some of those in this paper I have come to the collusion that there is evidence that globalization has helped to create greater inequality but there really is a larger cause in play that needs to be addressed.

Before we get into anything let me give you a simple example scenario of our world’s possible inequality. First you have person A and person B. Person A has always been at the top of financial power and has an amazing 100 dollars to their name. Person B however has always been at the bottom and has only 10 dollars to their name. Now both consider themselves investors and they both invest in off shores businesses. Person A invest 50 dollars and receives 10 businesses. Person B invests 5 dollars and receives 1 business. Each business gives them an annual return of 50%. So, after 1 year Person A has received 25 dollars back while Person B has only received 2.5 dollars. Now that Person A has received enough money to buy more business with their returns, they do and continue their projected gains, but person B has to wait another year just to gain enough to buy another business.

The above example is a very simplified scenario but does paint a good picture on how globalization created a great profiting opportunity for people that were already wealthy beforehand. As you can see the wealth gap will only increase from year to year since Person A had such a head start.

An important point to made is that Person B is relatively lucking in this scenario because if we a have Person C who never got to invest at all they are still stuck at the bottom with the same amount while the others continue to grow.

So, did globalization cause inequality? I would say from this very simple example it did not cause it; the inequality already existed, but it did help create a larger inequality gap.

This is also explained in one of the papers I read intitled “How economic globalization affects income inequality” where the author states, “*increasing international trade integration reduces income inequality within developing countries but increases inequality within advanced countries.”* (Heimberger 2020) Meaning that if there is already an inequality present then that will increase with globalization but if there is a very even amount of equality then the country seems to grow together.

There are also many other factors of course that can play a role in inequality but there are also different elements of globalization that have been shown to have different effects on inequality. For example, financial openness, a.k.a the opening of financial markets to foreign investments, is one of those bigger contributors to inequality. But there are also things like trade openness that have a less solidified results when it comes to inequality. Often for countries that have heavy farming resources and other resources that are owned by the people free trade can increase the equality present in the country.

Of course, there is also the negative part of this which is loss of jobs and work in other countries that used to make all their money from supporting their country that now only imports. But there is also a very interesting side effect to this trade globalization that was pointing out to me in a paper. Politics in any country that is supporting globalization can be heavily swayed. For example, further increasing Chinese importing to the United States has of course had negative effects on local employment but this has also affected congressional districts and how they vote. Philip Heimberger states in his paper that increased “*import competition disproportionately*[*removed moderate representatives from office in the 2000s*](https://www.vox.com/new-money/2017/3/29/15035498/autor-trump-china-trade-election)*: where jobs are squeezed by globalization-induced pressures, voters may tend to favor more extreme political candidates.”(* Heimberger 2020)

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