

Globalisation 4.0 & Income Inequality

Rising global income inequality is not inevitable in the future

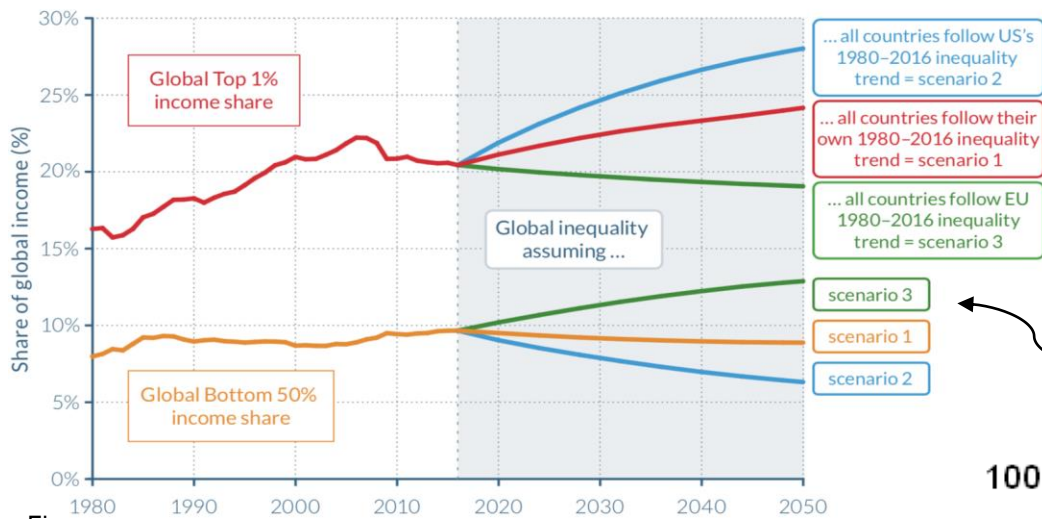


Figure 1

Different forecasted scenarios paint a picture for just how drastic the differences can be!

Which scenario would you pick?

The 'living standards' of a country illustrate a generalised idea of a country's progressiveness and political environment.

What factors can you highlight as differences between the countries?

Living Standards of Select Countries

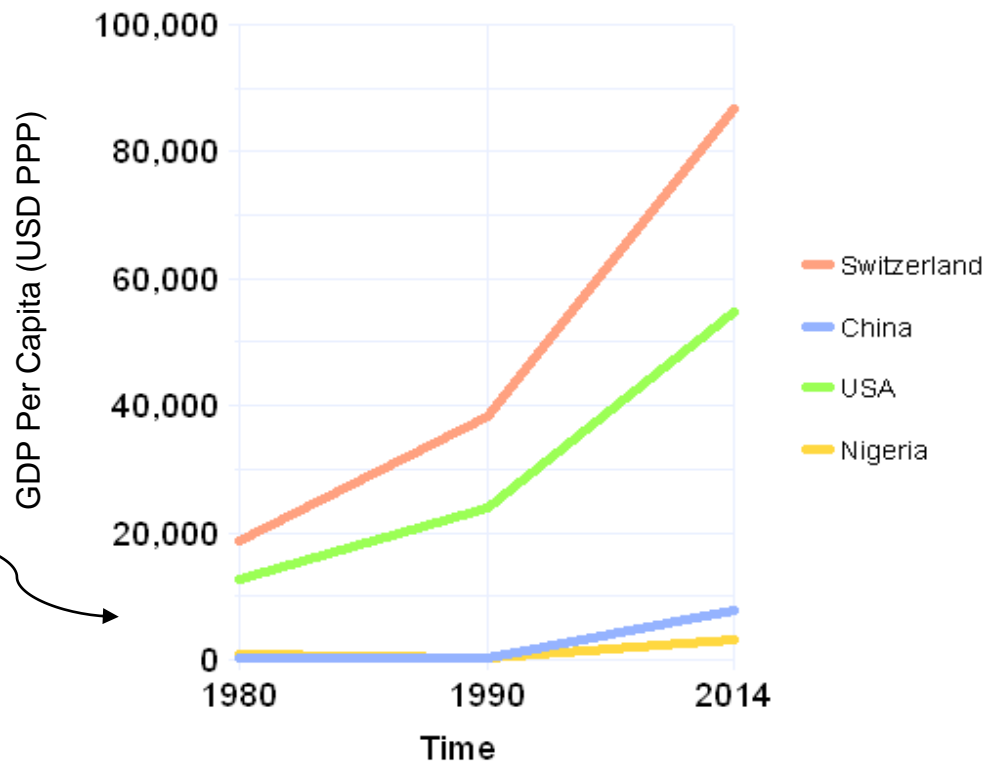


Figure 2

90/10 Ratio's of Select Countries

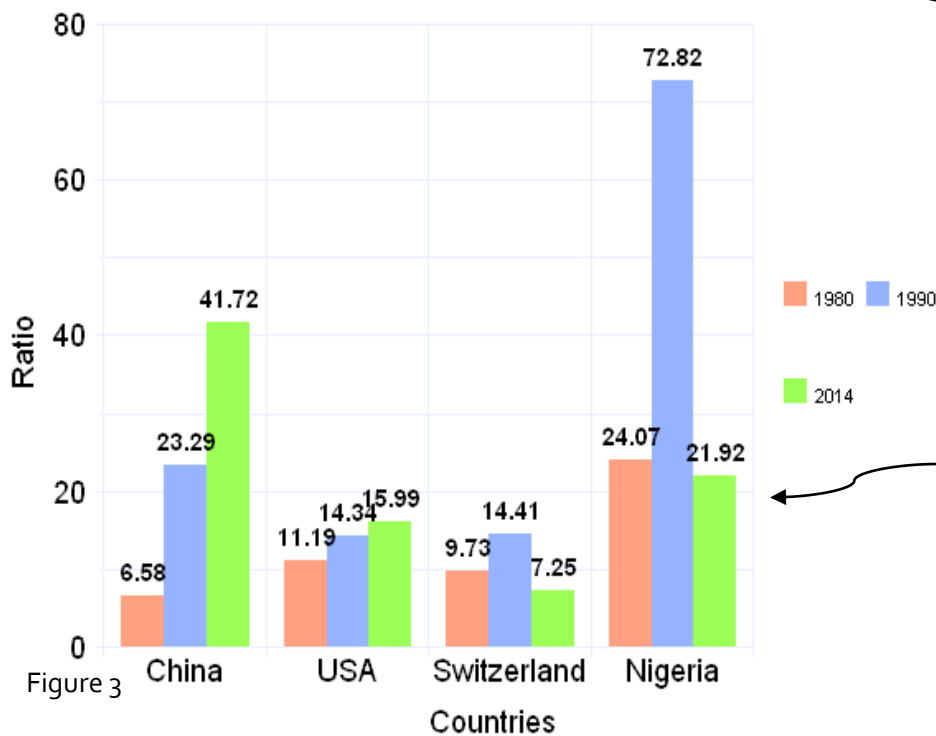


Figure 3

The 90/10 ratio identifies the ratio between the top 10% earners and bottom 10% earners of a nation.

What reasons could lead to a spike in this ratio, such as Nigeria's in the 1990's?

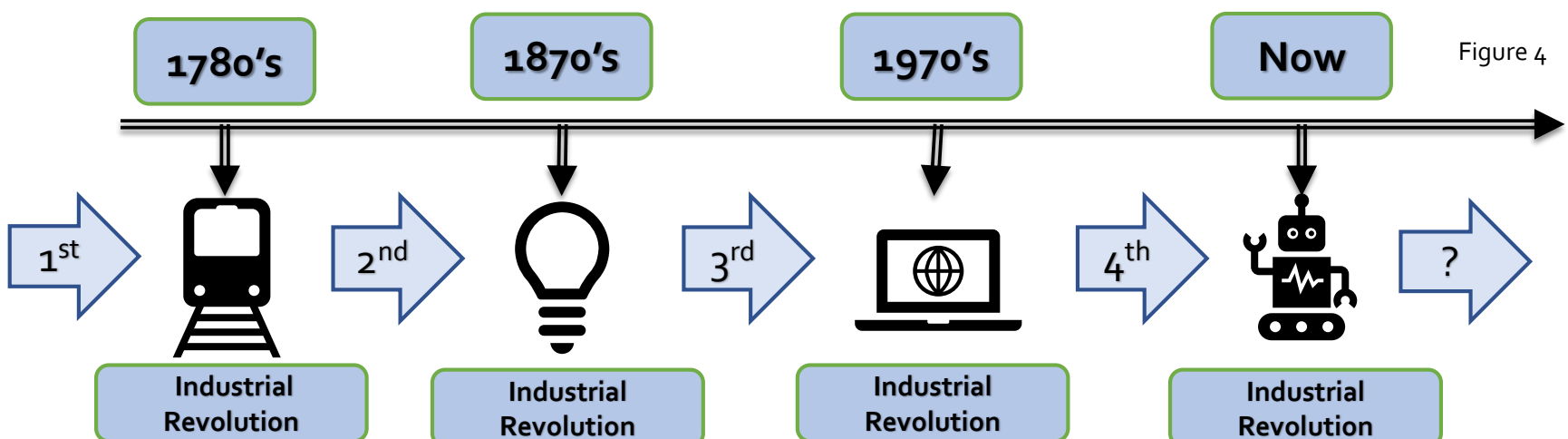


Figure 4

Globalization 4.0 & World Inequality Report 2018 Summary

The globalisation of modern day society has resulted in global impacts to stakeholders at every level. Living standards (or GDP per capita) levels have increased exponentially from the constant rates seen throughout history (up until the 18th century), which aligns with the trend of technological advancements (Brennan 2019). Articles and reports including Globalization 4.0 (Schwab 2018), and the World Inequality Report (Alvaredo et al. 2018) have analysed and discussed the microeconomic impacts these advancements have had on both the public and private sectors. Several key issues such as income inequality, technological advancements and economic systems are established in these reports as major factors depicting our future as a global society. The divide between the rich and the poor has maintained extremely high levels throughout history.

Global income inequality statistics represent an ideal tool for economists to measure the overall state of the world. In doing so, economists are able to clearly analyse trends in inequality throughout different economies. Differences in trends between countries can be pinpointed down to factors such as political interference, technological advancements, and the development of capitalist economic systems among others (Brennan 2019). Economists use the 90/10 ratio (the ratio between the top 10% income earners compared to the bottom 10%) as an effective gauge for comparing the impacts these principles can have upon a nation's economy. This enables economists to analyse and predict trends for the future, and as such can provide recommendations to alleviate income inequality.

The rising global income inequality and wealth distribution is not inevitable and can be changed in the future (Alvaredo et al. 2018). Alvaredo et al. (2018) depicts three different distinct trends which a nation or the globe can take in the future; countries follow the US's 1980-2016 increasing inequality trend trajectory, follow the steady increasing average of the globe or follow the EU's 1980-2016 slow decreasing inequality trend. The report enables readers with the knowledge of not only statistics but methods to combat global income inequality which is increasing, "if countries prolong the income inequality path they have been on since 1980" (Alvaredo et al. 2018, 14). The integration of firms, markets and institutions throughout society have resulted in substantial economic growth.

Economic systems such as capitalism have contributed to shaping the modern world. As Schwab (2018) found; 'increased competition and open markets allow for opportunities at an international level, however is contributing to inequality at national levels'. The capitalist revolution, (an economic system) has redefined the globalised world from an increasingly production based society, to one focused primarily on the specialization of knowledge and technological advancements (Schwab 2018). This revolution has resulted in an upswing of technological advances following the same trend as the GDP per capita 'Hockey-stick' graph (Brennan 2019). As the world has progressed throughout history, certain key inventions have led to substantial economic growth. The emergence of inventions such as the steam engine and electricity have reshaped the way society manufactures products. As we move past these revolutions into the 4th industrial revolution; designed around artificial intelligence and robotics, a new education system will be required to emphasise knowledge specialization rather than production specialization.

Globalization 4.0 and the World Inequality Report 2018 have concluded that following the current inequality trajectory trends are unsustainable and will ultimately lead to the disintegration of society as a whole (Schwab 2018, Alvaredo et al. 2018). However through global government initiatives; tax progressivity, a global financial register, equal access to education and government investment it has been established that reducing the inequality gap is feasible. As such political, technological and economic sustainability are key to forming a progressive sovereign globalised world.

References

Alvaredo, F., L. Chancel, T. Piketty, E. Saez, and G. Zucman (2018), World Inequality Report 2018: Executive Summary

Brennan, A. (2019). 'Big questions about the global economy' Power point Lecture slides.
https://lms.curtin.edu.au/webapps/blackboard/content/listContent.jsp?course_id= 91847_1&content_id= 6670972_1

Schwab, K. (2018). 'Globalization 4.0 – what does it mean?', World Economic Forum, November 05