

INCOME INEQUALITY IN THE GLOBALIZED ECONOMY: CAUSES, CONSEQUENCES AND SOLUTIONS

OPEN ACCESS

Volume: 3

Issue: Special

Month: May

Year: 2024

ISSN: 2583-7117

Published: 07.05.2024

Citation:

Dr. Gita Rani Sahu¹. "INCOME INEQUALITY IN THE GLOBALIZED ECONOMY: CAUSES, CONSEQUENCES AND SOLUTIONS" International Journal of Innovations In Science Engineering And Management, vol. 3, Issue: Special, 2024, pp. 12–16.



This work is licensed under a Creative Commons Attribution-Share Alike 4.0 International License

Dr. Gita Rani Sahu¹,

¹Assistant Professor St. Xavier's College of Management & Technology, Patna.

Abstract

In the era of Globalization, Income in quality has become a prominent and complex issue with far-reaching consequences. The causes of this disparity are multifaceted, stemming from factors such as technological advancement, unequal access of education, a systematic flaws in economic structure. As the rich accumulated wealth of an unprecedented pace, the consequences are felt across societies leading to the social unrest, diminished social mobility and strained public services.

This study proves that globalization continues to income inequality as it often benefits skilled workers and capital owners more than unskilled labour. The causes of income inequality also lead to cultural homogenization. For addressing income in inequality in the context of global world a harmonized effort is required internationally. From Micro to Macro Level, from National to International Level and from Local to Global Collaboration is highlighted for studying income inequality.

This study also explains about some solutions regarding to income inequality. Solutions involved implementing progressive taxation, investing in education and skills training and promoting fair trade practices. This study dissects the causes, consequences and potential solutions to income inequality in the context of a rapidly globalizing economy.

Keyword: Globalization, Cultural Homogenization, Income inequality.

1. INTRODUCTION

**"We should measure the health of our society not at its apex, but at its base."
- Andrew Jackson**

Income inequality is not today's concern; it has been noticed since that era where humans learned the value of wealth. The days passed, and the gap between rich and poor became wider. In recent years, the topic of 'Income inequality' has dominated the agenda of the World Economic Forum (WEF), where the world's top political and business leaders were present. This is because income inequality engenders harmful consequences not only for a group of people but also for the whole community.

In highly unequal places based on income, it tends to be more difficult to maintain and manage a mixed-income school environment, which helps to produce better outcomes for low-income families. For the prosperity of the people, a systematic measurement of income level, equal opportunity, and equal distribution of government policies is required. From the OECD Regional Well-being Database (2014), a comparative study on the income level of cities and estimation of household disposable income could be understood. The wide-ranging income inequality can be seen especially in those places where a larger population lives.

The result of World War has given a tremendous outcome regarding the "Great Compression," which generates the root of global income inequality.

Income inequality is a global issue with multiple multifaceted causes. It may include historical racism, unequal education opportunities, unequal distribution of land, unequal wage structure, high inflation, etc. Income inequality can be measured with factors like gender, electricity, location, occupation, education, historical income, etc

It is a deeply entrenched global problem that needs to be discussed. To eradicate this disparity of income, a revolution at the global level by the policymakers of every state is required. After COVID-19, the societal scenario regarding income inequality has changed. The world needs to take action to uplift education, reframe labor market policies, improve tax reforms, restructure, and increase higher wages.

LITERATURE REVIEW:

Scheidel (2017) explains in his study that the Four Horseman of Levelling i.e. Mass Mobilisation, State Collapse, Transformation revolutions and lethal pandemics might be helpful for dramatically reduction of inequalities. Because by this wiping out the wealth of elites and redistribution of their wealth and resources among the other elite group of the society who are economically backward.

Boulant et.al. confirmed from a survey in OECD (2016) Countries, that more than 500,000 people are there, host 50% of population and contribute to 60% of the total employment creation. Because of the presence of dense and thick labour market, highly productive firm and learning opportunities encourage the workers from various places to come metropolitan cities to get higher wages and job quality. At the same time, those areas tend to be more unequal places than the other parts of the country. Level of inequality and differences in living conditions make the gap wider between the poor and rich.

Cingano (2014) argued “Widening income disparity can depress skills development among individuals with poorer parental education background, both in terms of the quantity of education attained and its quality”

According to Guanghua et al. (2021), “Developing economies are dominated by informality, implying a narrow taxation base”.

OBJECTIVES:

- To understand the global approach towards disparity of income.

- To analyse the various causes of income inequality.
- To observe various consequences of income inequality.
- To provide some desirable solutions for income disparity.

CAUSES:

Income inequality in a globalised economy can stem from various factors.

These includes:

1. Education Disparity:

Unequal access to education creates skill gaps, affecting earning potential and perpetuating income inequality. Article-21A of Indian constitution says that the state shall provide free and compulsory education to all children of the age of 6 to 14 years. But at the ground level the fact is totally different. Students in particular groups are neither given the same resources and opportunity nor given a good chance at achieving the same results as the other groups. Resultantly the world has been facing disparity in Gender, Ethnicity and Wealth. (Bharadwaj et al. 2022)

2. Technological advancements favouring certain skills (AI):

Automation and Technological advancement may lead to job displacement, widening the income gap between skilled and unskilled workers. Advanced economy drives income equality because of its skills-bias nature and also because of high rents are given to the innovators. Wealth disparity has also been emerged in the period of a rising boom in digital technologies. Market structure is being reshaped in the age of digitalization so as the economic structure of the society.

3. Unequal access to resources:

Food, Water and Energy are the natural resources. But their distribution is unequal among the different groups of people in society. Both the supply and components of resources are unequal. Those people who have surplus money, have a security in life, but those who have deficit in monetary aspects, always live in insecure and uncertain world.

4. Deferring government Policies:

In some cases, because of delay in formulation and implementation of government policies, benefits could not

reach to the needy. Deferring government policies is one of the important causes of income inequality.

5. Globalisation:

Globalisation can sometimes concentrate wealth in certain regions or industries. It fosters economic growth. It can also result in job outsourcing and wage pressures. The benefits of globalisation are not shared equally among the people of a country. Inconsistent methodology, lack of coverage and poor reliability are the main reasons of income inequality in era of globalisation. (Singh et al. 2020)

6. Variations in economic opportunities:

Availability of unequal economic opportunities are also the major causes of income disparity. In global context the richer gets more opportunity than the poorer one. Resultantly income disparity is seen.

7. Market Structure:

Changes in demand for certain skills or industries can affect income distribution, favouring those in high demand sectors. The demand of knowledgeable, talented, trained, skilled and productive performer is very high in today's in highly technological advanced globe. Thus, market structure is dynamic in nature, which helps to increase the gap between "have's and have-not's."

8. Social Factors:

Some social factors are also important causes of income inequality in global context. Historical racism, unequal land distribution, inequality in education, high inflation etc. are the important social factors that causes wealth disparity.

9. Financialization:

Emphasis on financial markets can result in disproportionate gains for those involved in finance, widening income gaps. Banking and Insurance sectors may come in this category. Some time financialization goes beyond the existing financial system and it distorts the income distribution, investment and job creation throughout the economy.

10. Institutional Weakness:

Weak labour unions and insufficient labour protections can result in unequal bargaining and income disparities. Lack of awareness regarding the provisions of Labour Acts among the labourers, the Labour Unions become weaker.

CONSEQUENCES:

Income inequality in a globalised economy can lead to several consequences. These Includes:

1. Deepening Poverty:

Income inequality often leads to a concentration of wealth among a few, leaving a significant portion of the global population in poverty without access to basic needs such as food, education and healthcare.

2. Social Unrest and Conflict:

Widening income gaps can result in social unrest and even lead to conflicts within and between nations, as disparities in wealth and opportunities become a source of tension. Social unrest is the outcome of people perceive unfairness in wealth distribution. (Jain, 2021)

3. Human Rights Challenges:

Economic inequality is closely linked to various human rights challenges including issues related to access to food, clean water, education and health care.

4. Reduced Economic Growth:

High levels of inequality can hinder over economic growth as it limits access to education, healthcare and opportunities for a significant portion of a population.

5. Political Instability:

Income Inequality may contribute to political instability as marginalized groups may become dissatisfied with the existing system and seek change.

6. Health disparities:

Unequal access to health care and living conditions can lead to health disparities, impacting the overall wellbeing of the population.

7. Education Gap:

Limited access to quality education for certain income groups can perpetuate a cycle of inequality as education is crucial for upward mobility. The gap between skilled and unskilled employee, literate and illiterate has been increasing so as the income gap in today's time having good money is equal to having the quality of education

8. Global Migration:

Income inequality can right migration pattern, with people seeking better economic opportunities in more affluent regions, leading to demographic shifts and potential social tensions.

9. Influence on Global Governance:

Income inequality can affect the effectiveness and legitimacy of global governance institutions, potentially leading to challenges in addressing pressing global issues like climate change, poverty and social conflict.

10. Environmental Implications:

Wealth disparities can influence resource consumption patterns, potentially exacerbating environmental issues and affluent populations may contribute more significantly to resource depletion and environmental degradation. (Sarma et al. 2018)

11. Global Economic Imbalances:

One of the major consequences of income inequality is global economic imbalance.

12. Erosion of Social Cohesion:

Large Income gaps may erode social cohesion, making it challenging to build a sense of shared identity and common purpose within societies.

SOLUTIONS:

Addressing economic inequality in a globalised economy requires a comprehensive and collaborative approach. Here are some potential solutions: (Khan et al. 2019)

1) Progressive Taxation

Implementing progressive tax policies can help redistribute wealth more equitably. This includes higher tax rates for the wealthy and closing loopholes that allow for tax avoidance. To remove and eradicate the income inequality, an effective redistributive tax system would be helpful. Redistributive tax system i.e. positive taxes is a system where, higher taxes are paid by the high income people and the lower income people receive more subsidies.

2) Investing in Education

Education is the Torch Light of Knowledge. According to a report of Oxfam, a good education can help to reduce poverty, income inequality, encourage more equal and democratic society and also helps to increase equal opportunities. Focusing on education to ensure equal access to quality schooling can help break the cycle of intergenerational poverty and promote skill development for a more competitive work force. Everyone has the right to education and this is given by our condition in article 21A. Education helps a person to think positively about change, creativity, innovation etc. Thus, Education For All should be a mantra for everyone. Equal opportunity for education is to be appreciated.

3) Social Safety Nets

Strengthening social safety nets such as unemployment benefits, healthcare and affordable housing can provide a financial relaxation for those facing economic hardships.

4) Fair Trade Practices

Promoting fair trade practices in ethical business conduct which can contribute to more equitable distribution of profits especially in industries with global supply chains.

5) Labour Market Policies

Implementing policies that support worker's rights, including fair wages, job security and collective bargaining can contribute to narrowing income gaps.

6) Global Cooperation

Encouraging international collaboration on economic policies including efforts to combat tax evasion and promote transparent financial systems can mitigate the impact of globalized wealth disparities. (Shandilya et al. 2019)

7) Inclusive Economic Growth

Focusing on policies that promote inclusive economic growth ensuring that the benefits of globalisation reach all segments of society can contribute to reducing income inequality.

8) Access to Finance

Improving access to financial services for marginalised population, including business and entrepreneurs in developing countries can foster economic empowerment.

9) Investment in Infrastructure

Targeted investment in infrastructure, health care and technology can create job opportunities and support economic development in regions facing inequality.

10) Corporate Social Responsibility (CSR)

Encouraging businesses to adopt responsible and ethical practices through CSR initiatives can contribute to more equitable wealth distribution.

CONCLUSION

This study offers a comprehensive examination of income and wealth inequality, stressing its global scope and multifaceted origins. It highlights how factors like political, social, educational globalization, and technological advancements contribute to these disparities, compounded by structural forces such as financialization and taxation. The repercussions extend across society, leading to social unrest, political instability, health inequalities, and global migration. Addressing economic inequality requires a nuanced approach, considering various factors through frameworks like COSMIC and PESTLE analysis. Sustainable progress hinges on a combination of policies, international cooperation, and social responsibility from governments, businesses, and individuals. The call for a "360-degree revolution" underscores the urgency and scale of change needed to combat wealth inequality and economic disparity effectively on a global scale.

REFERENCES:

- [1]. Afroz Khan, Md. Khalid Saifullah, (2019), Relation between Global market and Global economy: An impact on small businesses"
- [2]. Ashish Bharadwaj, Komal Singh, Praveen Ranjan, (2022), "Factors affecting the world economy: A review"
- [3]. Anuj Singh, Keshav Vishwakarma, Rahul Dhawan, (2020), "Causes and prevention of the fall of economy"
- [4]. Boulant, J.M. Brezzi and P. Veneri (2016), "Income Levels and Inequality in Metropolitan Areas: A comparative approach in OECD Countries". OECD Regional Development Working Papers, No.- 2016/06, OECD Publishing, Paris
- [5]. Broan, R. 297, The Inequality Crisis: The Facts and What we can Do about it. Bristol: Policy Press.
- [6]. Corok, M. 2013, "Income Inequality, Equality of Opportunity; Intergenerational Mobility". Journal of Economic Perspective.
- [7]. Devey Donald Tomaskowc, Lin Ken-Hou (2013), Financialization causes Inequality, Consequences and Policy Implications. 18 N.C. Banking INST. 167, Vol. 18, Issue-1
- [8]. Heimberger, P. 2020. "Does Economic Globalisation Affect Income Inequality ? A Meta-Analysis". The World Economy 43(11): 2960-82
- [9]. Jaumotte, F. and C.O. Buitron. 2005. "Power from the People". Finance and Development 52(1): 29-31
- [10]. Mayank Shandilya, Kumar (2019), "From earning to expenditure: Impact of global economy on middle class"
- [11]. Norris, Ira Dabla, Kochhar Kalpana et.al (2015), "Causes and Consequences of Income Inequality: A Global Perspective".
- [12]. Polacko, Mathew, "Causes and Consequences of Income Inequality – An Overview", Statistics, Politics and Policy – Vol. 12, no. 2, 2021
- [13]. Raavee Jain, "The birth of economy, Historical to modern perspective," Journal of economic management. Vol. 5, 2021
- [14]. Scheidel, W. 2017. The Great Leveller: Violence and the History of inequality from the Stone Age to Twenty First Century. Princeton: Princeton University Press.
- [15]. Stiglitz, J. (2013). The Price of Inequality London: Penguin Books.
- [16]. Sujoy Sil Sarma, Ravi Chandra Hari, (2018), "The importance of debt in global economy: A study from 2007 to 2016"
- [17]. Walkinson, R. 1996, Unhealthy Societies: The Afflictions of Inequality. London: Routledge
- [18]. Wan, G., Zhang, X. & Zhao, M. Urbanization can help reduce income inequality. npj Urban Sustain 2,1 (2022)
- [19]. <http://doi.org/10.1515/spp-2021-0017>.
- [20]. <http://doi.org/10.1038/342949-021-00040-y>
- [21]. <https://www.oecd.org/soc>