

ECONOMIC INEQUALITIES AND POVERTY AS THE CONSEQUENCES OF THE ONGOING GLOBALIZATION PHASE

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Abstract. *Globalization is a world phenomenon, generated by the most developed countries, primarily the USA. Highly developed countries have mainly used its undisputable advantages, while the underdeveloped ones have mostly encountered its negative effects. One of the most severe consequences of globalization is the increase of economic inequalities and poverty. Although economic inequalities represent a driving force of the economic development, their scale would have to be reduced to the level that would enable a peaceful and stable development of the mankind. Therefore, the search for solutions that would ensure a "globalization with the human face" is the imperative of the present time, as well as of the future of mankind.*

INTRODUCTION

Globalization is the dominating world phenomenon reflected in a technological, economic and political unification of the world. Under the influence of globalization, state borders lose their former significance and cease to represent any barrier in the development of economy, finances and communications worldwide, especially after the breakdown of socialism as the world system. The world is increasingly turning into a global market in which products, services and ideas are accessible to everyone, everywhere and in any time.

Globalization is an objective process, conditioned by the fast technological development, which brought about a successful union of information technology and communications. Computer engineering, satellite communications and mobile telephony enable communication among all the parts of the world, causing geographical ramification of companies. Departments are being located around the world, depending on the advantages of natural resources and labor. The industry of knowledge is developed in the most developed countries, while production plants are located in underdeveloped countries.

Values of the capitalistic system are the ideological basis of globalization and its major objective is spreading to all the world parts and permeating all the spheres of life and work. Private property, individual freedom and democracy are the face of globalization; economic efficiency and democracy are its driving forces, while profit and capital expansion represent its fundamental goal. Many authors have emphasized that the greatest threat to globalization comes from itself, since its protagonists consider that it has attained the highest values to be imposed to the entire world. The protest arousing against such tendencies illustrates its conflictive and contradictory nature. For that reason, Utkin has righteously pointed out that this is a contradictory phenomenon around which there are large discussions pro and con, while both its endorsers and opponents do not have reliable projections related to its further course and its final effects on the survival of mankind [1, pp. 42-60].

The process of globalization is independent of the people's will, since it is conditioned by objective inherent regularities. However, in the inundation of glorifications on one side and its denials and criticism on the other, this fact has often been neglected. Every country should, therefore, fully comprehend the unquestionable advantages as well as the potential negative effects of globalization. One of the worst consequences of globalization is certainly the growth of excessive inequalities and poverty. We shall try to discuss the mentioned problem in more details further in the text.

1. ECONOMIC INEQUALITIES AND POVERTY IN THE PERIOD OF GLOBALIZATION EXPANSION

The debate on economic inequalities and poverty particularly escalated in the last decade of the 20th century, just in the period of the greatest expansion of globalization. Although the world-scale income per capita had been constantly increasing during the previous century, all countries did not achieve the same rate of growth, so that the gap widened between the incomes per capita of the developed and developing countries. For example, per capita income of the "Golden Billion" inhabitants in 1960 was by 30 times greater from the per capita income of 20% of the poorest inhabitants of the planet, while today it is greater by 78 times [2, p. 77].

The process of globalization preserved the existing division into the countries of the "Golden Billion" and the rest of the world. The idea of "Golden Billion" relates to the developed societies of the West, whose ideologists consider that the Earth offers conditions of prosperity to only one billion of people and that this welfare can be sustained only if other inhabitants of the planet do not get access to this society. Negative globalization effects provoked the emergence of anti-globalization movements, which regarded it primarily as a capitulation in face of the power of transnational companies and as the endeavor of rich countries to "keep a rein" on the countries in need [2, p. 82].

The appearance of anti-globalization movements is associated with the name of the American economist Tobin who, at the beginning of the 1970s, suggested the introduction of 0.05% taxation on financial transactions, by which the development of underdeveloped countries could be financed. During the 1990s, anti-globalists were using Tobin's proposal as the main argument in their attempts to partially neutralize the negative effects of globalization. According to their calculations, thus collected money would amount to

about 146 billion US dollars. Thereafter, a campaign network for the support of "Tobin Taxes" was formed, although Tobin himself remained silent regarding this idea.

The expansion of anti-globalization movements throughout the developed countries is increasingly affecting a turn towards a "globalization with the human face". Thus, for instance, the Nobel-laureate Stiglitz, former World Bank Senior Vice President and Chief Economist, criticizes the "Washington Consensus", supporting the reform of international financial institutions and the transition to a "Post-Washington Consensus", which would enable the development of underdeveloped countries and reduce the discrepancies in the development levels of rich and poor countries. The Russian economist Bogomolov suggests the recognition of the market mechanism inability to ensure a stable globalization process and economical growth and he pledges for a change in the paradigm of its development: a combination of the market with the dirigisme as well as the affirmation of democratic principles in international relations, which would induce reforms of major international economic and financial institutions [3, p. 14]. Chomsky, who is mainly engaged in the analysis of ideological mechanisms of Western societies, thinks that "the concept of efficiency and sound economy at which the rich and privileged are striving offers very little to the useless layers of population, those dragged into social misery and despair" [4, p. 853]. Consequently, the criticisms of globalization may generally be reduced to the attitude that the new ideology of development preserves the economical logic in all its rigidity. Such an approach leaves no space for the preservation of nature required by ecologists neither for the respect of man demanded by humanists.

The mentioned criticisms of globalization shall surely be less surprising if observed in the light of data related to economic inequalities and poverty in the globalization era.

According to the latest report of the UN Development Program, the wealth of the planet has increased by six times since 1950, while simultaneously the poverty has increased in 100 out of 174 investigated countries. The report further states that three richest persons in the world possess the wealth that is greater than the total GDP of 48 poorest countries. Also, the aggregate wealth of 84 richest individuals exceeds the GDP of China, whose population is 1.2 billion inhabitants.

The idea that developed countries of the OECD should foster the progress of less developed ones by earmarking 1% of their GDPs, which was being realized in the period of 1945-1975, has practically been abandoned under the impact of globalization. Therefore, the assistance to underdeveloped countries has constantly been decreasing, having amounted to 0.7% of the GDP of OECD countries in 1992 and to only 0.25% in 2000. The difference between these percentages actually means hundreds of billions US dollars per year. For millions of poor people, it means the difference between life and death.

For the next period of 25 years, it is expected that the population of the Earth shall increase by ca 2 billion people, the majority of this number falling to the underdeveloped countries. These countries shall then be inhabited with around 6.5 billion people. The question related to this is: how many people shall be doomed to live on less than 2 US dollars daily? Considering the facts that today one half of the world population is living on less than 2 US dollars per day and that 80% of the planet inhabitants dispose of only 20% of the total GDP, the manner of resolving this question by the international community shall determine whether people shall be living in the conditions of peace and stability or in the world of growing tensions and conflicts. The problem, therefore, lies in the fact

that the number of people living on less than 1 US dollar a day has increased, while at the same time the world-scale GDP has been hugely enlarged due to globalization.

The world-level economic prosperity brings benefits to the ever-decreasing number of people, while the number of impoverished is simultaneously increasing. This problem is present not only in the global but also in the interregional and national scale of both underdeveloped and highly developed countries. Except for the East Asia and Asia Pacific Regions, all the regions have encountered the increased number of population living below the poverty line of 1 US dollar per day.

In its World Development Report, the World Bank illustrated poverty in the world through the presentation of individual countries. Thus, for example, in 1999 in India the population below the poverty line amounted to 44.2%, in 1997 it was 70.2% in Nigeria, in Mozambique it was 70.2% in 1996, in Ethiopia 31.3% in 1995, in Russia 7.1% in 1998, etc. While the poorest countries of the world are in Africa, Latin America faces the greatest economic inequalities. Measured by the Gini index, the countries with the most expressed economic inequalities are: Brazil (0.60), Chile (0.56), Colombia (0.57), El Salvador (0.52), Guatemala (0.59), Mexico (0.54), Paraguay (0.59), South Africa (0.59), Zimbabwe (0.57) and so on.

The problem of globalization-induced social stratification is even more pronounced in the interrelationships of countries. From 1960 to 1997, the Group of Five (Canada, USA, Norway, Japan and Belgium) shifted the difference ratio in per capita income from 30:1 to 74:1 in relation to the five poorest countries (Sierra Leone, Niger, Ethiopia, Burkina Faso and Burundi).

Regarding the underdeveloped countries, it should be pointed out that the hasty liberalization of foreign trade exposed the domestic enterprises to a sudden foreign competition, which caused closing down of a number of firms and increasing unemployment rates. The inability of domestic enterprises to compete with the foreign ones, as well as a very low mobility of labor among the sectors contributed to the growth of unemployment and poverty. The liberalization of trade contributed to the poverty increase also by reducing the demand for unskilled labor. The decreased unskilled labor demand induced increased unemployment of this category of labor. The increased unemployment and reduction in the salaries of the unskilled workers limited their possibilities of refreshing their knowledge, which additionally contributed to the perseverance and growth of poverty in underdeveloped countries.

The demand of the IMF that the underdeveloped countries should implement a firm monetary policy led to growth of interest rates, which disabled the increase of employment even when other circumstances were most favorable. Poverty was increasing in the conditions of rapid trade liberalization and undeveloped social welfare institutions. Thus, in most cases liberalization was followed by the increase of poverty instead by the economic growth. Alongside with the previously said, it should be emphasized that the developed countries avoided to open their markets to products coming from underdeveloped countries, having preserved import quotas for numerous products of agriculture and textile industry and having simultaneously insisted upon market opening of underdeveloped countries for the commodities made in developed areas. This way the mentioned countries were put in a delicate position, since they could not realize any of potential benefits of the international trade globalization.

2. GLOBALIZATION AND WELL-BEING STATE

Globalization has also had a disastrous effect on the concept of a well-being state. Namely, it is well known that the aggressive economy and neo-liberalism make the economic essence of globalization, having been hardly resisted by the European well-being countries. Related to this, the attitude has prevailed in theoretical treatises that the well-being state represents a heavy burden to the economy, as the growth potential and the economy competitiveness are loaded by high costs that the well-being state imposes. These theoretical attitudes are opposed by the arguments and program standpoints of the democratic left, labor unions and West European social-democratic and socialist parties and governments.

The concepts that point out a long-term disagreement of the well-being state and the liberal market society become more complex by emphasizing the statement that the well-being state causes damages of not only economic but also moral character. In connection with this, it is commented that the users of the well-being state benefactions are anonymous individuals and that the money they receive is collected through a huge tax apparatus. This set of social measures does not imply any obligation or initiative, or any effort investment by the beneficiaries [5, p. 218].

The critics of the concept of well-being state are of the opinion that "civil duties" should be imposed on the recipients of social welfare. These duties would be the acceptance of heavy and underpaid work, the sustenance of their own families and the acquirement of knowledge through a formal education that shall qualify them for employment. This approach would help the effectuation of Friedman's demand for canceling the social subsidies to persons with the lowest income, as this is the only way of influencing them to strengthen their efforts to improve their own material standing. Instead of social subsidies, he suggests the relief from taxation for those families that do not earn minimum income [6, p. 453].

The well-being state managed to reduce the tension between the capitalistic economy and the democratic political system to a certain extent. The meaning of this idea reflected in the fact that "...the capitalism should be 'human' and it should provide a political support to the system in order not to lose the advantages of the efficiency of capitalism." [7, p. 325]. In choosing between high profits and dividends on one side and the social stability on the other, the Europeans most often opt for the stability. Europe has, therefore, tended to avoid high costs of social upheavals, accepting even higher prices in short terms, since the opinion prevailed that the social cohesion was of an immeasurable value.

However, the well-being state lost its political support very fast, due to the structural changes induced by the process of globalization. Such developments could not be explained either with arguments of economical and fiscal crises or with political arguments emphasizing the expansion of neo-conservative ideologies. At the same time, this process cannot be prevented by referring to justice and moral reasoning or by accentuating the legitimacy of the existing well-being state arrangements. A new pattern that has come into force means the negation of the well-being state. It is based on the individualistic categories of an "economic human". It further means that the struggle for overcoming the poverty in the world shall not be based any more on the concept of a well-being state, but new solutions have to be searched for.

CONCLUSION

Economic inequalities are the logical consequence of the market model of economy and they represent an unavoidable presumption of the economic development. The criticisms of their excessive growth, as well as of the increase of poverty should be comprehended as a signal that the globalization course has to be reconsidered to the extent allowed by the laws underlying it. Economic inequalities should continue being the driving force of the economic progress, however their scope would have to ensure a peaceful and stable development instead of the development accompanied by growing tensions and conflicts, which is undoubtedly stimulated by the extreme polarization to the small number of rich countries and the great number of the poor ones. In this respect, the search for solutions that would provide a turn towards the "globalization with the human face" is the imperative not only of the actual time, but of the future of mankind as well.

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EKONOMSKE NEJEDNAKOSTI I SIROMAŠTVO KAO POSLEDICE TEKUĆE FAZE GLOBALIZACIJE

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Globalizacija je svetska pojava koja je generisana od najrazvijenijih zemalja, u prvom redu SAD-a. Njene nesumnjive prednosti prvenstveno koriste najrazvijenije zemlje, a negativne efekte najviše osećaju nerazvijene zemlje. Jedna od najtežih posledica globalizacije je porast ekonomskih nejednakosti i siromaštva. Bez obzira što su ekonomske nejednakosti pokretačka snaga ekonomskog razvoja, njihove razmere moraju se svesti u okvire koji će obezbediti miran i stabilan razvoj čovečanstva. Zato je traganje za rešenjima koja će dovesti do "globalizacije sa ljudskim likom" imperativ aktuelnog vremena i budućnosti čovečanstva.