On Globalization and Inequality

Whereas globalization, defined as the increased and (relatvely) untrammelled movement of goods and capital, has obvious economic and other benefits, it also creates new conditions and new problems, which must be faced by all states, and presents challenges to social-democratic governance.

1) Globalization is a fact. It neither good or bad

But it has negative results for the poorer countries. It is beneficial for the region with the initial advantage

Very strong arguments can be made that the increase in international trade creates not only winners but also losers, that it increases inequalities among countries and inequalities within developed countries. There is considerable economic literature to that effect. Stolper and Samuelson have discussed the impact of endowments on comparative advantage and trade. The countries which have a large supply of capital and (trained) labor emerge as winners, while the position of others deteriorates. A series of radical economists have suggested that trade necessarily increases inequality, whether between countries or internally. Kiminori Matsuyama has argued that inequality is an inevitable aspect of the world trading system, as it leads to an international division of labor, requiring different countries to take charge of producing economies with different degrees of agglomeration .[1] The phenomenon is observable historically as well. Paul Krugman, studying the American economy in the 19th century, has povided both a theoretical model and historical observation that ascribes to trade a key role in the emergence of differentiated regions, a manufacturing core and an agricultural periphery.[2] In the cumulative process of regional divergence, "the region with the initial advantage is likely to become the core. The phenomenon is not limited to the modern period. In the remote past also, the creation of international trade systems brought about a division of labor that was driven by the needs of the countries with comparative advantage, and that created conditions in

[1] K. Matsuyama, Why Are There Rich and Poor Countries? Symmetry-Breaking in the World Economy," *Journal of the Japanese and International Economies* 10 (1996), 419-439.
[2] P. Krugman, *Geography and Trade*, 1991.

which the countries with disadvantage could not break through the barriers.[3]

This does not necessarily mean that the "losing" countries become poorer than before; they become poorer by reference to other countries. And, what is more important, the barriers to entry into the "rich" group become much higher.

Globalisation and the new economy can also lead to increased inequality within countries. Whereas beneficial to certain groups (the consumer), they are detrimental to those groups which have no easy access to the new forms of production and the new technology,primarily, that is, to untrained and non-specialised labor.

In the new world environment, where crises are exported, the increased disparity between poor and rich countries or internally in certain countries is dangerous. Furthermore, social-democratic parties, committed as they are to social cohesion and social solidarity, must also be committed to taking measures to counteract the negative effects of globalisation. The danger has first to be recognised and then to be addressed.

Governments have to intervene, to achieve a redistribution of resources different from that posited by the market, and to ensure that people do not shoulder a disproportionate burden of the costs of expansion, through inflation or unemployment.

Part of the remedy surely lies in education and the continuous training of the labor force so as to allow it to participate in the new economic environment, as well as in labor strategies which aim at reducing unemployment. It is also, I think, possible, that alternative forms of economic organisation should be promoted: small, specialised businesses or services in sectors with a comparative advantage, and for specialised markets.

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[3] A. Laiou-Thomadakis, "The Byzantine Econoy in the Mediterranean Trade System; Thirteenth-Fifteenth Centuries," *DOP* 34-35 (1980-81), 177-222.

That, however, is not sufficient. In the future, globalisation will mean greater mobility of the factors of production: capital, where considerable mobility already exists, and specialised labor, where mobility at the moment is relatively limited. As things are, some states will lose from this mobility; and these now "poorer" national governments ~~will have~~ must be helped to try to counter the effects of globalisation on those left behind. Th~~is creates a fiscal problem, w~~hich must be c~~ounteract~~ed. It follows logically that ways must be devised so that the internationally mobile factors can contribute to the alleviation of social needs. The remdy may be a fiscal one, beneficiary but whatever it is, there has to be some international agreement, otherwise any single country that tries to implement it will place itself at disadvantage.

They create the problem they must alleviate

See E

Progressive governance cannot be achieved in the presence of increased inequality. It is necessary to create mechanisms both national and international to reduce the inequalities inherent in the developing international economic system. help

Angeliki Laiou

We have to find a solution to counter the negative effects

A first way to tackle the problem more down the [illegible] of the United N. education

A second way [illegible] by IMF

An economic Security Council is deemed necessary to have a supranational body to decide

The question has to decide what is the direction we have to follow

A third way is for example procedure of the Europ. Union Eur. Regional co social

more assistance in health, enforce the role of the ~~[illegible]~~ solidarity

Reorganize IMF World Bank W.T.O.

Finally ~~[illegible]~~ we should be conscious democracy and human rights are also extremely important to reduce the inequalities

Without democracy there is not co-just.