Journal of Economics Bibliography

www.kspjournals.org

Volume 6 December 2019 Issue 4

Notes on prosperity, poverty, and inequality in the era of globalization

By Charis VLADOS [a†]
& Dimos CHATZINIKOLAOU [b]

Abstract. A common question in academic debates is whether globalization exacerbates poverty and inequality on the planet. Many argue that globalization is indeed a force for adverse developments for humanity. The purpose of this study is to discuss the extent to which these approaches are valid. To achieve this goal, we first consider some valuable contributions to the study of the phenomena of poverty and inequality, and then we examine their statistical imprints throughout history by using available data. Empirical evidence does not show a dramatic increase in poverty or inequality, especially in the less developed countries on the planet: they reveal the opposite. In conclusion, we present some misconceptions in the articulation of a contemporary economic policy that appear to hinder effective solutions to tackle poverty and inequality.
Keywords. Poverty, Inequality, Globalization, Misconceptions.
JEL. I30, D63, F60.

1. Introduction

Too often, we are confronted with opinions arguing that globalization is a process that exacerbates poverty and global inequality. How valid are their arguments? Although our world has seen a long process of economic development, at least in the last 40 years of globalization—as a significant number of scholars argue (Adda, 2006; Michalet, 1976; Michalet, Delapierre, Madeuf, & Ominami, 1983; Orléan, 2009)—many have come to the opposite conclusion: that the globalized economy has intensified adverse economic conditions in human life.

More generally, the debate on poverty and inequality, although implicitly initiated by the works of classical economists, appears to have resurrected dynamically after World War II, and especially during the years of globalization since the 1980s and beyond (Ravallion, 2016). However, even some analysts seem to argue that there are inherent forces in capitalism that inevitably lead to an intensification of poverty and inequality. To this end, we present relevant definitions and considerations below:

- According to Peet (1975, p.564):

[a†] Department of Economics, Democritus University of Thrace, Komotini, Greece. (and) School of Business, University of Nicosia, Nicosia, Cyprus.
☎. +302531039824 / +35722459090 ✉. vlad.coop@gmail.com and vlados.c@unic.ac.cy
[b] Department of Economics, Democritus University of Thrace, Komotini, Greece.
☎. +302531039824 ✉. dimos.chatzinikolaou@gmail.com

> "Inequality and poverty cannot be eradicated without fundamental changes in the mode of production … This paper is an attempt at synthesizing two concepts: the Marxist principle that inequality and poverty are inevitably produced by capitalist societies, and the social-geographic idea that inequality may be passed on from one generation to the next via the environment of opportunities and services into which each individual is implanted at birth."

- According to Chomsky, as quoted by Dollar (2005, p.145):

> "Inequality is soaring through the globalization period, within countries and across countries. And that's expected to continue."

- For Piketty (2014, p.1),

> "Modern economic growth and the diffusion of knowledge have made it possible to avoid the Marxist apocalypse but have not modified the deep structures of capital and inequality—or in any case not as much as one might have imagined in the optimistic decades following World War II. When the rate of return on capital exceeds the rate of growth of output and income, as it did in the nineteenth century and seems quite likely to do again in the twenty-first, capitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based."

- According to Davis & Sanchez-Martinez (2014, p.43), who categorize and present economic theories of poverty, analysts of Marxian origin propose that the capitalist economy promotes inequality and poverty structurally:

> "Marxists contend that capitalism and related social and political factors based on class division cause poverty. Adherents to this school of thought advocate that 'the market is inherently dysfunctional' (Blank, 2003). According to this view, capitalist societies keep the cost of labor unnaturally lower than its value added through the threat of unemployment (the 'reserve army of unemployed'), and therefore poverty in a capitalist economy can only be alleviated via strict regulation of the market (e.g., in the form of minimum wages). A wider range of authors in the political economy field suggest that poverty is predominantly the result of structural factors, including stratified labor markets as well as prejudice and corruption. In both cases, the policy message is that antidiscrimination laws and labor market reforms are essential to overcome structural barriers that impede employment and cause poverty. Links of environment problems to poverty can also be analyzed from a radical point of view."

Therefore, we observe that there is a widespread belief that poverty and inequality cannot be addressed without structural changes in the mode of production, the possibilities of which are implanted for individuals since birth. In this context, the process of globalization is "condemned" as a painful process in the development of humankind; this process of capital accumulation creates unavoidable inequalities that, among other things, weaken even our democratic institutions. According to this stream of thought, the only solution to the "inherently dysfunctional" operation of markets is to impose strict rules to combat structural imbalances.

Nevertheless, how true are the above findings? To what extent have globalization and economic progress, especially in recent years, led to an increase in poverty and inequality worldwide? Besides, if that is not the case, what are the consequences of this misunderstanding in terms of policy articulation? In this article, we will try to answer these questions.

2. Methodology and structure of the paper

To try to answer these questions, whether poverty and inequality in the age of globalization are experiencing a decrease or increase, our study is divided into the following steps:

- First, we look at some of the critical points in the study of the phenomena of poverty and inequality, especially since the 1970s, at the beginning of the era of globalization.
- Second, we present recent statistics on the historical evolution of poverty and inequality, proving that some approaches to these phenomena are indeed incorrect.
- Finally, we conclude the study by proposing new conceptual prerequisites for articulating an economic policy to tackle poverty and inequality.

3. Literature review: critical theoretical approaches in the fight of poverty and inequality within the international socio-economic system

According to Friedman (1962), a guaranteed minimum income constitutes a requirement for a liberal policy program. Accordingly, Friedman suggests that it would be possible to establish a threshold below which no net income could drop for any human being: the exact threshold depends on what the community can afford.

From the late 1970s, international growth programs and strategies begun to multiply by targeting not only economic growth but primarily meeting the objectives of equality and harmony in terms of social, economic, and environmental relations in the context of a developed society (Agola & Awange, 2014; Rajaraman, 1975; Takayama, 1979). These strategies focused on decreasing inequalities by assuming that economic growth can only happen when it does not create problems to the socio-economic and political equality; their ultimate goal was to modernize economic growth (Figure 1).

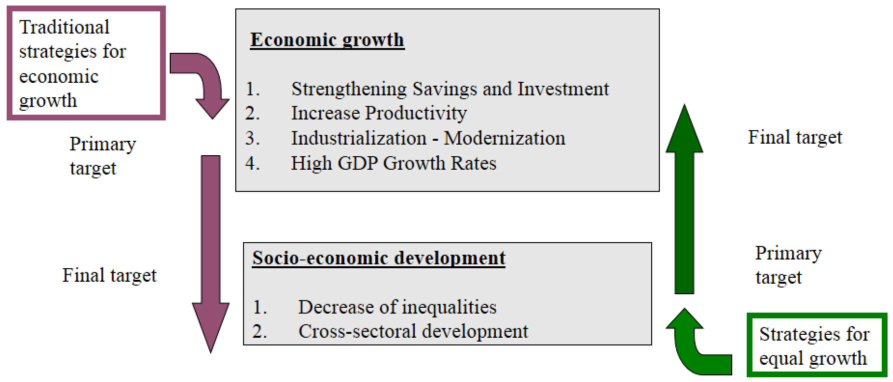

Figure 1. *The traditional logic of growth changes in the strategies of "equal growth."*

The objectives of the strategies for "employment growth" tried to maximize employment for employees and the self-employed and increase production to create jobs (Sen, 1973). In this "war" against unemployment, public programs for rural areas' growth came into force by the use of labor-intensive technologies. Besides, an effort was underway to improve access to agriculture, education, banking credit, and public goods (Ahluwalia, 1976).

According to Schumacher (1973), policies should be turning towards promoting "intermediate technology," that is, developing small-scale technologies that can be less violent to the environment and more "human-centric." The characteristics of this proposed intermediate technology were that it did not require high-level technical skills and can match with socio-economic environments of less assimilation of "new information," insufficient administrative resources, and forms of "informal organization." Concerning the growth prospects of developing countries, Schumacher went on to argue that poor people must use intermediate technology to increase full-time employment in underdeveloped countries; this growth can happen through state actions on a national and regional level.

Concerning the strategies against poverty, the goal was to eliminate absolute poverty within societies, with a primary focus of increasing the productive employment for the poor, and the goods that will help increase the income and, therefore, decrease social inequalities. According to Chenery & Ahluwalia (1974), we must redirect public investment towards the natural and human capital to increase productivity and the income of the most impoverished population in underdeveloped societies. The tool is to redistribute the income towards the economically weaker classes. In this perspective, although the highest rate of economic growth, in the end, favors the weakest members of society, those who gain the most benefits are the richest ones. Therefore, a systematic redistribution policy aimed at the immediate reinforcement of the most impoverished layers, although it conflicts with the strategy of rapid growth, is fairer and, according to this approach, socially preferable.

According to Adelman & Morris (1973), two problems in the economic growth of underdeveloped societies exist, that is, the lack of participation in the elections of the poorest, and the decrease of national per capita income that applies to the poorest. Adelman and Morris suggest that equal growth depends on reducing wealth inequalities by redistributing land ownership, ensuring access to capital for as many people as possible, investing massively in education, and accelerating industrialization based on human resources-intensive technologies.

According to Sachs (1978), eco-development (or sustainable development) does not mean protecting the environment against industrialization or economic growth. Growth is necessary for social development, but we must protect at the same time our ecological resources.

According to Sen (1983), the study of the entire social phenomenon requires the liberalization of the traditional economic sphere by reconsidering the ethical dimension in the development problem. The "waves" of hunger occurring in different areas of the world periodically do not come from an absolute lack of food but an unequal distribution of rights over the available food due to the particularly uneven distribution at the purchasing power. Sen proposed an economic policy that can ensure that the most "vulnerable" members of the population have a minimum level of survival through the establishment of social protection systems. In this context, democracy, which is a system that can create a transparent social framework, must protect the weak and provide the conditions for the individual potential to be developed. Sen focused on human rights and the capabilities accompanying them. He argued that traditional growth economics focuses on the national product, total income, and supply of specific goods rather than human rights and "capabilities" deriving from them. The process of economic growth should be about what people can or cannot do: for example, to what extent can people feed themselves or avoid diseases.

Another approach of equal growth is how to articulate strategies to cover basic needs ("basic needs approach") (Streeten, 1981). The goal of this approach is to provide every individual with the chance for spiritual and social development by covering at least his or her basic needs. The basic needs strategy focuses on redistributing the means of production and not production outcomes; therefore, it differs from the redistributive welfare state. According to the basic needs approach, a productive job for every individual is the only way to develop both self-respect and socio-political awareness in society.

From the early 1980s, capitalism enters gradually in the era of globalization. Globalization does not mean any narrow economic phenomenon (commercial, production, and financial) neither any superficial or random social phenomenon (civil, communicative, and ideological). On the contrary, globalization is a unique and evolutionary socio-economic reality, a distinct phase in the historical evolution of global capitalism (Vlados, 2019).

However, globalization does not develop linearly by reproducing any known past balances, but, on the contrary, it is full of twists, imbalances, and asymmetric crises. Until now, the globalized economy has suffered at least five severe financial crises (Brunnermeier & Oehmke, 2013; Reinhart & Rogoff, 2014):

a. At the end of 1970, some Latin America countries face credit weaknesses and are unable to cover their public debt.
b. Between 1992-3, the European Exchange Rate Mechanism faces a significant hit when the UK decides to exit the program due to currency pressures.
c. In 1994-5, the Mexican peso collapses and creates instability in entire Latin America.
d. In 1997, the financial crisis hit, besides the developed regions on the planet, also the entire financial and economic-industrial structure.
e. Finally, probably the most severe so far, in 2008, the US house market collapses, and the entire world financial system faces an unprecedented situation where most developed countries lose credibility, and the crisis spreads all over the world. A sovereign debt crisis also happens in the Eurozone with adverse consequences (Andreou, Andrikopoulos, & Nastopoulos, 2017).

Undoubtedly, the advent of the globalized phase of the economy is a fact that leads to an increasing movement of people, capital, and firms and is making our world more and more interconnected. In this post-Fordist regime (Boyer & Durand, 1993), strictly nation-centric growth policies are inadequate, as enterprise-wide innovation is multinational and flows of all kinds are impacted variably by all the potential dynamics of the planet.
According to Michalet (1976), to understand the global dimension of modern capitalism, we must understand first the world of multinational corporations because they invest abroad and organize their activities on a global level. These corporations, which are factors of homogenization of the global space, come in front of differentiation and heterogeneity created by nation-state entities. However, it is argued that we have to overcome this conceptual confrontation between the multinationals and the nation-state and move beyond to understand the emerging reality without applying mere aggregative thinking. We have to understand the dialectical relationship between the dynamics of globalization and the persistence of the national entity (Delapierre & Michalet, 1976; Michalet *et al.*, 1983).
Besides, at the end of the 1990s, Michalet (1999) stated that during the 1980s, the global economy witnessed a change of attitude in the majority of the nations toward accepting foreign investments. On the one hand, this change resulted from a change in the strategic approach of big corporations in their effort to relocate to increase their competitiveness in the market and the profits of their shareholders. On the other hand, both southern and northern countries changed their prevailing policy perceptions during the 1960s and 1970s towards economic growth; countries now aiming to attract

investment must focus on enhancing the competitiveness of the firms they host. Michalet (1999) proposed a "new alliance" between the nation-state and the multinational enterprise that can ensure the stability of foreign investments over time and the diffusion of the multinational corporation's specific advantages on the local economy, which are mostly intangible.
In this context, it seems that there is a conceptual need for a repositioned theoretical understanding of the development process in globalization. We need to understand the central developmental dimensions as systematically integrated rather than as successive aggregative steps (Figure 2).

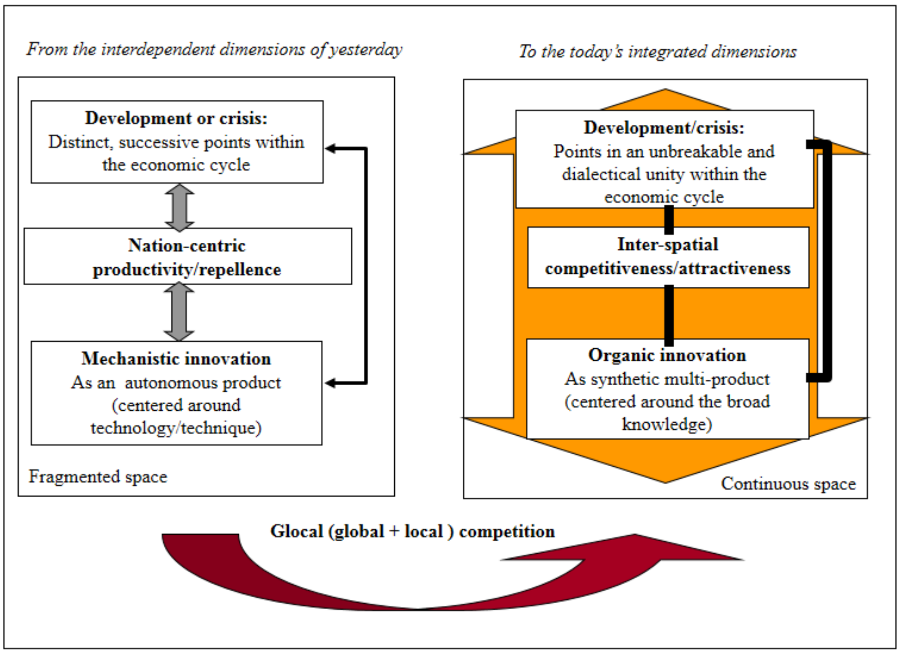

Figure 2: *From fragmented to integrated globalized developmental dimensions.*

The three-sided system of innovation within national socio-economic systems and the dimension of the continuous cycle of development and crisis are changing today. Initially, today's globalized capitalism is mainly concerned with global relations: dynamics that are articulated simultaneously at the local and global levels (Roudometof, 2014). Innovation is not just about a technical application that is more efficient than yesterday: it is about a multifactorial dimension that includes mainly knowledge capital. The national socio-economic area no longer depends on the way it increases the productivity or "repulsion" of new investments. It depends on the competitiveness of its firms and the knowledge-building mechanisms that it builds to attract investment. Finally, development and crisis is a continuous dialectical process, inherent in all socio-economic phenomena, and not periodically appearing with a distinct beginning and end.

As we have seen in this section, since the early 1970s, the debate on creating conditions for combating poverty and inequality has been central. Nevertheless, how some of the most critical dimensions of poverty and inequality on the planet have been shaped historically? Has globalization finally led to the deterioration of global conditions or not?

4. Statistical data in the evolution of poverty and inequality on globalization

4.1. Poverty

Our world continues to be bound by poverty and scarcity. According to Rosenberg & Birdzell (1987), if we consider the long-term development of human history and the economic life of our ancestors by modern standards, we will see that we have to do with a story of intolerable misery and poverty. We have never lived as a species in a world of abundance. However, things do not go as wrong over the last years, as many would have argued.

An increasing part of the world's population is increasingly less poor than previously. Empirical evidence reveals that anti-globalists' claim that poverty increased during the age of globalization is not precisely valid (Figure 3).

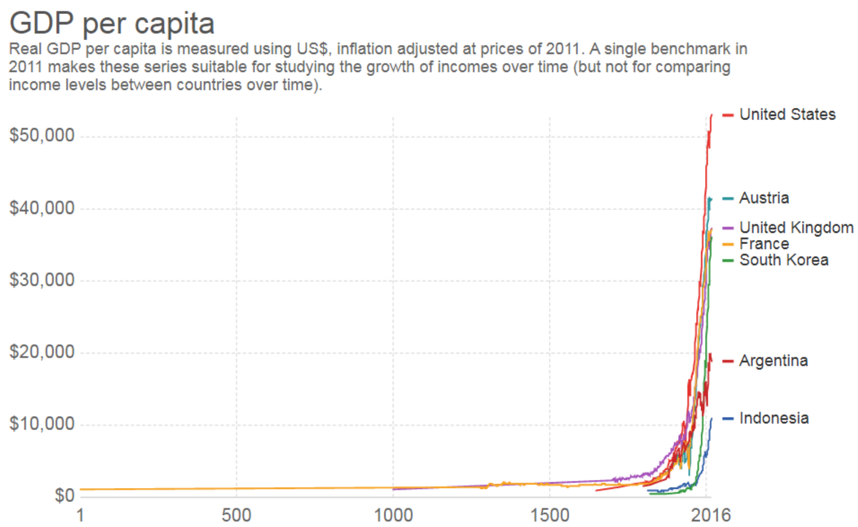

Figure 3: *Data Source: The Maddison-Project (2018). Graph* **Source:** Roser & Ortiz-Ospina (2018a).

Contrary to misconceptions about the course of our world in globalization, we can see from long-standing statistics that since the beginning of the capitalist 19th century, our world is entering a phase of rapid economic growth. Especially after 1950, almost all regions on the planet took off in terms of wealth, except the African continent. Moreover, many areas on the planet now seem to be able to reduce drastically the "time gap" that separates them from prosperous North America (Figure 4).

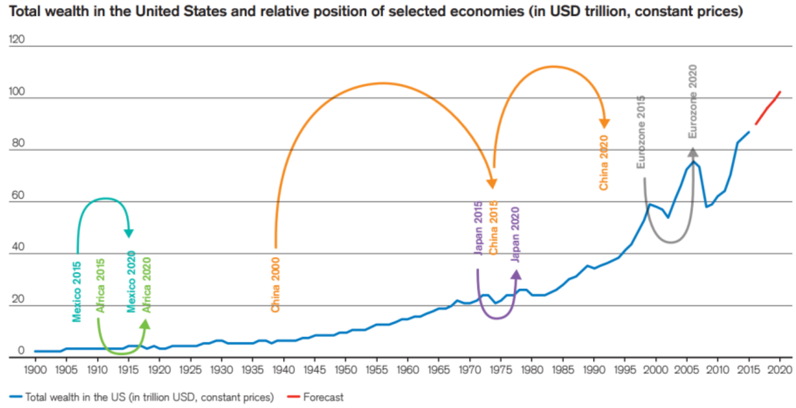

Figure 4: *Source: Davies, Lluberas, & Shorrocks (2016).*

At the same time, in the war against extreme poverty, especially after 1995, in the era of globalization's intensification, the number of people living in conditions of extreme poverty reduces drastically. In today's conditions of crisis and restructuring of globalization, this trend maintains its dynamic course (Figure 5).

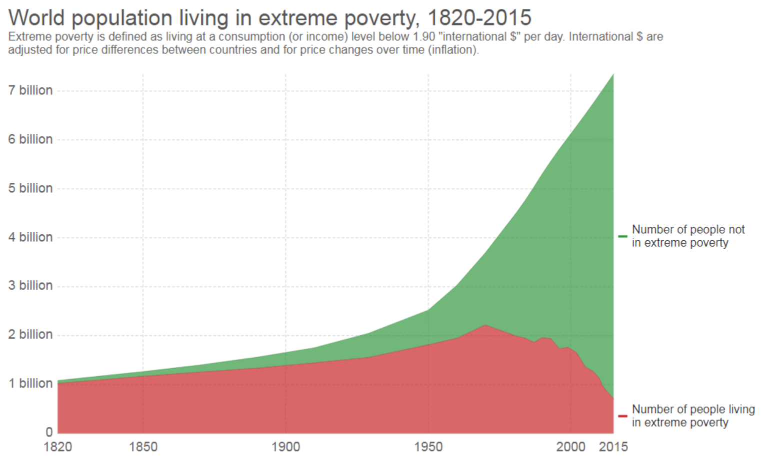

Figure 5: *Data Source: For the 1820-1992 period, the calculations were based on Bourguignon & Morrisson (2002), and for 1981-2015 on The World Bank (2016).*
Source: Roser & Ortiz-Ospina (2018a).

Through the available statistical data, we can observe a progressive improvement in combating extreme poverty. We can see from Figure 5 that anyone born in 1900 had an extremely high chance of experiencing absolute poverty while today has far lesser. Overall, from the advent of capitalism in the 19th century and after, the absolute number of people living in extreme poverty has reduced drastically. According to the United Nations (2015), we have to acknowledge a remarkable human achievement against extreme poverty: from 1990 to 2015, the number of people living in extreme poverty has declined by more than half, from 1.9 billion to 830 million people.

However, despite the significant increase in numbers, the problem of poverty remains. Over the last 50 years, national governments of less developed economies have implemented several anti-poverty strategies, often with the support of international organizations. Their central task has been to eradicate absolute poverty within societies by increasing the productive employment of the poor by prioritizing the reduction of income and social inequalities. In the same vein, as we mentioned previously in this paper, the so-called basic needs approach strategies were introduced. They aimed to improve the living conditions of the population significantly by increasing rapidly economic growth to the extent that it meets the basic needs of the population. Their main development objective was, firstly, to achieve the minimum level of basic needs and a minimum standard of living for all households, and, secondly, to meet the basic needs of the entire population at an ever-higher level (Fosu, 2017).

Nevertheless, these policies alone cannot solve the deeper problem of poverty. According to Rodrik (2011), the underlying causes of poverty are varied and expressed in terms of low productivity. Low productivity may result from several factors, either individually or in combination. For example, low productivity may result from a lack of credit, from inadequate access to new and improved technologies, from a lack of skills, knowledge, and job opportunities, or from the powerful elites, which prevent any improvement in economic conditions that could threaten their influence and power. Rodrik argues that the world economy has reached unprecedented levels of growth after World War II since no other period in history has even come close to these performances. However, the performance of post-1990 economies looks excellent from a historical point of view, but it still lags behind the Bretton Woods era since the global economy has not reached the same levels of financial performance.

Of course, many opposed to globalization will raise serious controversy here, as many analysts argue that multinational corporations exploit with their actions humankind. According to Kanter (2004), there is much evidence that there is an increase in income in the countries participating in the multinational business environment. Kanter shows that multinationals are making a positive contribution to developing countries by improving certain working conditions when producing and selling on the local markets and, therefore, multinational corporations have an interest in social and economic development.

One last critical debate on poverty reduction is the actual pursuit of economic growth and its difference form economic development. Gillis, Perkins, Roemer, & Snodgrass (1996) argue that even though there are economic causes for poverty in large parts of the world, these causes alone cannot explain why there are specific barriers to development. The problem is that not all economists understand and explore the relationships between economic growth and the political and social obstacles to development.

To this end, as Perroux (1991) explains, economic development differs from growth. On the one hand, economic development is the combination of moral and social changes that enable a population to increase in the end the standard of living. On the other hand, economic growth is simply the increase in size and the expansion of some indicators. However, the traditional paradigm in economic analysis observes and studies development and growth interchangeably (Nelson *et al.,* 2018) without distinguishing that growth is the sustained increase of an indicator over some time (for example, the GDP for a nation) while economic development involves qualitative changes as well. Economic development requires changes in flows and structures and, therefore, an increase in wealth or per capita income (economic growth) is not a sufficient condition for building a sustainable spiral of economic development in the most impoverished societies on the planet.

4.2. Inequality

There is no doubt that our world is not a world of absolute equality: Right from the birth of capitalism itself, in the late 18th century, the reality of unequal wealth growth and the polarization of development was present and evident.

According to Rodrik (2011), the Industrial Revolution spread first from England to mainland Europe and some of the newly colonized areas (in North America, Australia, and New Zealand). Therefore, the world economy was split between an increasingly industrialized core and a region that produced mainly raw materials. In this context, globalization of the twentieth century allowed new technologies to be deployed in areas that met the requirements, but at the same time, consolidated and intensified centuries-long divisions between the core and the periphery. The regions of the world that have been receptive to the forces of capitalist development had two common advantages: a population of relatively skilled and educated workers who could manage new factories, and sufficient institutions to stimulate private investment and market growth.

Therefore, capitalism is not a mechanism that produces equal growth: The contemporary world does not share equally the wealth among people, but quite the opposite, wealth levels around the globe are dispersed (Figure 6).

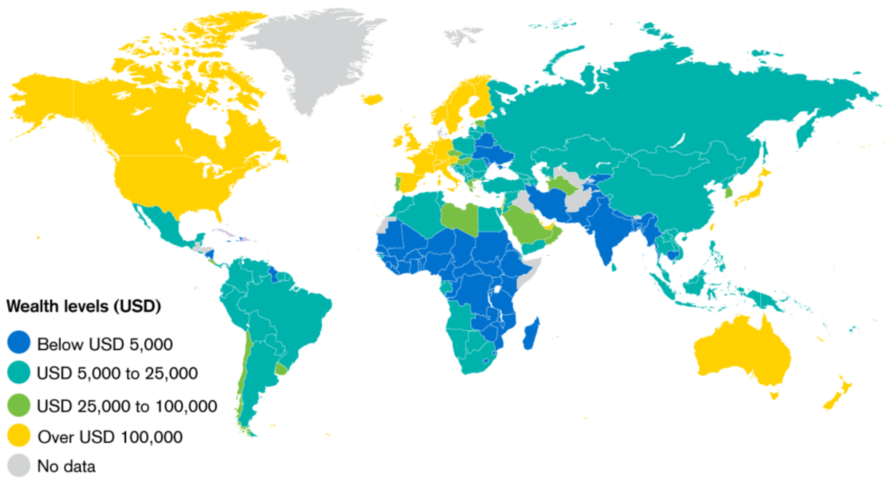

Figure 6: *The middle class per country (in million adults).*
Source: Davies, Lluberas, & Shorrocks (2015).

Moreover, in the global wealth pyramid, less than 1% of the world's population holds more than 45% of the entire wealth. One the contrary, 70% of the population holds only 3% of the total wealth (Figure 7).

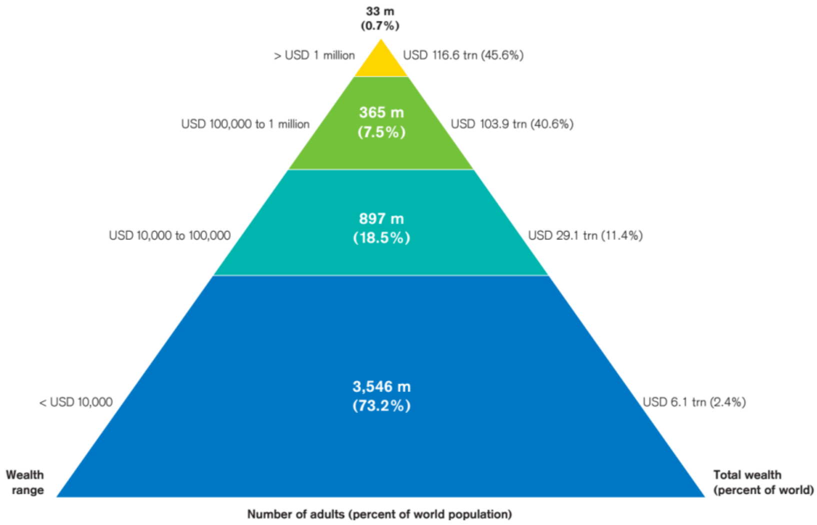

Figure 7: *The global wealth pyramid.*
Source: Davies, Lluberas, & Shorrocks (2016).

From Krugman's (2008) perspective, during the 1990s, globalization did not seem to affect domestic incomes. Krugman observed an indisputable rise of inequality in the US, although the causes he analyzed back then were not related to globalization. Krugman thought that we had to blame the "skill-biased technological change" about the rising inequality (Card & DiNardo, 2002). The rise of inequality was due to new information technologies that increase the demand for high education and specialization, respectively, by delimiting the demand for less-skilled workers. For Krugman, therefore, wage discrepancies were due to technological progress and not to the development of globalization. Krugman (2008) reconsidered his views on the rising inequality in the US by focusing on two changes that happened after 1990, which led international trade to act as a factor that helps inequality to expand. First, the US imports to developing countries had doubled in 2008 as a percentage of the US GDP in 1990. Second, American producers compete now with exporters from developing countries that have much lower wages than they had back in the 1990s. In the background, the difference in Krugman's data came from the rapid emergence of the Chinese economy; China has now gained a large share of the US market while the Chinese wages are a relatively small fraction of the wages in the United States (Iqbal, Rahman, & Elimimian, 2019). In Krugman's eyes, globalization no longer functions solely as a mechanism of inequality at the global level but also has a significant impact within his own country, the US.

In Stiglitz's (2013) perspective, inequality is critical in the evolution of the modern global economy. While focusing on the excessive inequality that today characterizes the United States and some other advanced industrialized countries, Stiglitz explains how inequality is the cause and consequence of the failure of the political system, which contributes to the instability of the financial system, which in turn contributes to the rise of inequality. The author argues that this relationship is a vicious downward spiral into which the American economy has sunk and from which can only come out with coordinated policy measures.

The more profound consequence of these developments is that the US is paying a heavy price for the growing and glaring inequality since not only economic growth and GDP are limited, but also volatility is enhanced further. However, Stiglitz seems to follow a more moderate attitude than Krugman about the effects of globalization. The problem, he argues, is not that globalization is bad or wrong, but that governments are managing it inadequately, mainly for the benefit of specific interests. The interconnectedness of peoples, countries, and economies around the world is a development that can be used effectively to promote prosperity and to dispel greed and misery; Stiglitz argues that we have to decide how to manage globalization.

In a similar vein, Piketty (2014) argues that the observed shrinkage of the middle class is not a temporary phenomenon that has been exacerbated by the 2008 crisis, but a trend of the last forty years. He argues that this trend reflects the deeper forces of capitalist societies that have emerged in recent years. He estimates, in particular, that between the years 1945 to 1975, policies in developed societies reduced income inequalities, but since 1980, the middle class's distance from the economic elite has expanded to pre-war levels.

Piketty attributes that phenomenon to two forces:

- The first force concerns the ability of senior executives to separate their position from other employees.
- The second derives in the form of the law "r>g," that is, the relation of capital to national income. In his view, the rate of return on capital (r) tends to be higher in the long-run than the rate of growth of the economy (g).

This relationship means that endowed wealth grows faster than income. Piketty notes that it is almost inevitable that this endowed wealth will dominate much of the wealth acquired through the work of a lifetime, and the concentration of capital will reach very high levels, possibly incompatible with meritocracy and other fundamental principles of democratic societies. However, Piketty argues that the market economy and private property do not just serve to secure the domination of capital over those who have nothing to sell beyond their labor power; they also play an essential role in organizing the actions of millions of people, and it is not so easy to do without them (O'Neill & Pearce, 2014). As a solution to the problem of increasing inequality, Piketty proposes to increase the tax on high incomes and to impose a progressive state tax, with the upper tax reaching 80% for the top 1% or 0.5%. Such a high tax on incomes would not reduce growth but would lead to more equitable distribution. This tax would not generate high revenue for the government but would limit the incentives for executives to demand excessively high wages, leading automatically to higher wages to the lowest income classes. At the same time, Piketty proposes the imposition of a global tax on capital that would start from very low for small estates and will reach 5-10% for assets worth billions of dollars.

According to Tsangarides, Berg, & Ostry (2014), who studied inequality among countries for the IMF, excessive inequality can hurt economic growth because it impedes access to the health system and education. This fact undermines political and economic stability and, consequently, the investment disposition by domestic or foreign firms. Besides, it can jeopardize the required social consensus in times of significant shocks, such as the 2008 financial crisis.

At the same time, Christine Lagarde, the former Managing Director of the IMF, stated in 2015 at the Economic Forum of Davos that business executives and political leaders should remember that, in many countries, there are very few who enjoy the benefits of growth and that this fact is not a recipe for stability and sustainability. In this context, income inequality and the ensuing social unrest are issues that are likely to have massive impact on the world economy over the next decade by taking the form of political and social upheavals that can affect everyone on the planet (Bartels, 2018; Jay, Batruch, Jetten, McGarty, & Muldoon, 2019; McCarty, Poole, Rosenthal, & MIT Press, 2016).

Nevertheless, all these approaches are usually polarized in examining the major capitalist economies of the planet and not the entirety of the global economy and the different nations. In this respect, Rodrik (2011) argues that it is far better to be poor in a rich country than the opposite. Income inequalities (as well as other inequalities) are much more significant from country to country than within the nations. The country in which one is born determines the prospects of his life. However, things have changed. At the beginning of the Industrial Revolution, the gap between the wealthiest and most impoverished regions of the world was 2:1, while today, the ratio is 20:1 (Maddison, 2005). The gap between the richest and poorest countries has widened to about 80 to 1. Over time, some areas (Western Europe, America, and East Asia) took off while others diverged and grew very slowly and often lost ground after some short-lived growths (Pritchett, 1997).

If we look at the long-term statistics, however, we can see that there is room for satisfaction in the past as well as optimism for the future in reducing global inequality (Figure 8).

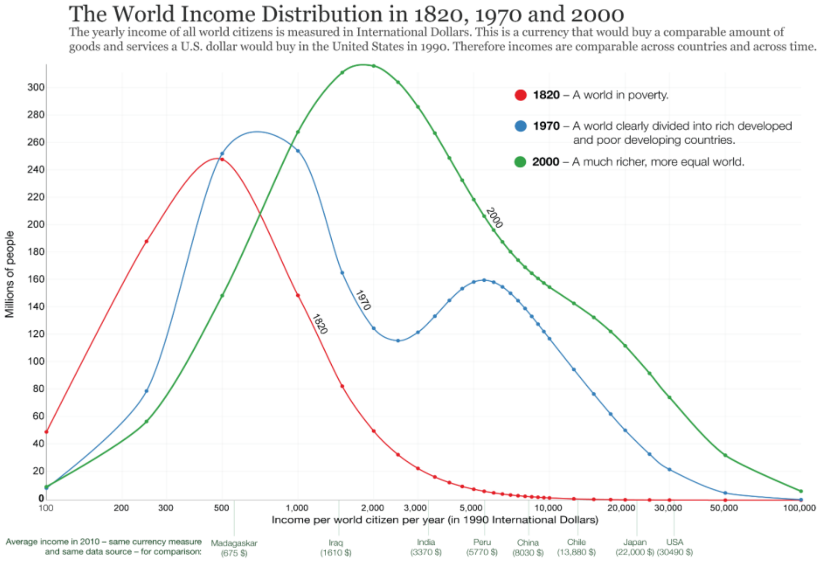

Figure 8: *Data Source: van Zanden & et al. (eds) (2014).*
Source: Roser & Ortiz-Ospina (2018b).

In fact, near the historical beginning of capitalism, in the early 19th century, the whole planet was impoverished and inequality, of course, smaller and much more painful. One hundred fifty years later, our world was already profoundly divided into rich and poor, but at a far better absolute level even for the poorest. Nowadays, things look much better, having a planet much richer with less inequality overall. Besides, long-term data reveal that the share of total income, which goes to the top 1%, from 1900 to 2010, in continental Europe and Japan, has been drastically declining since the beginning of the century until the 1980s and has not increased dramatically since 1980, in the majority of cases (Figure 9).

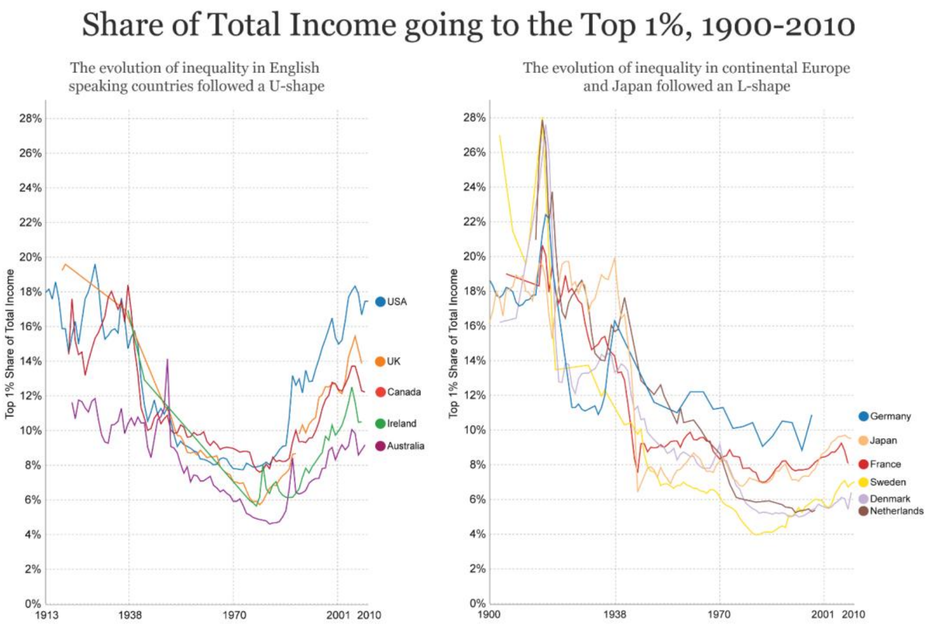

Figure 9: *Data Source: Wid.World: The Source for Global Inequality Data (2018).*
Source: Roser & Ortiz-Ospina (2018b).

This fact also seems to apply to some weak areas, such as Latin America. In the past decades, inequality seems to decline significantly, overall in most cases (Figure 10).

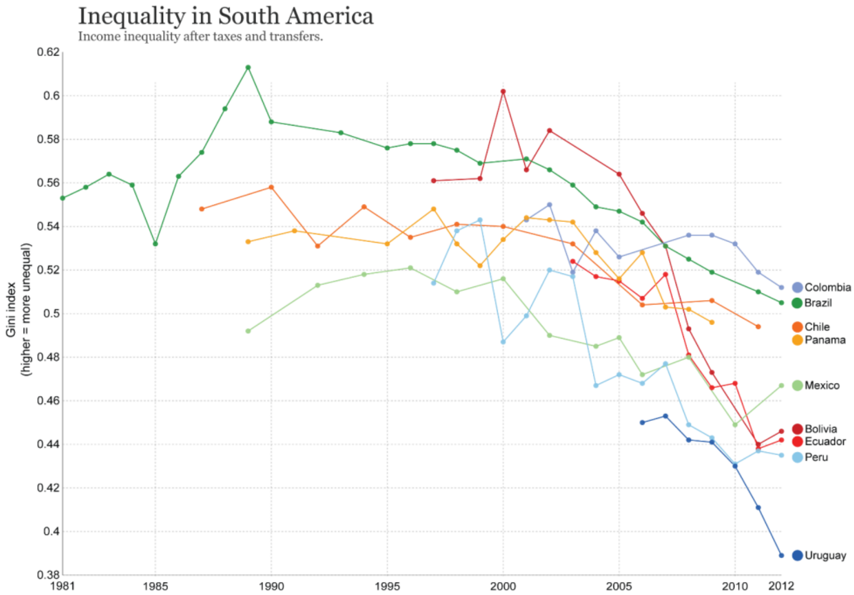

Figure 13: *Data Source: The World Bank: IBRD – IDA (2018).*
Source: Roser & Ortiz-Ospina (2018b)

Based on these data, we do not observe any sharp global outbreak of inequality, although the problem of combating inequality remains unresolved. Capitalism seems to have a permanent flaw: the unequal distribution of wealth. On the contrary, socialism has one constant "asset": the equal distribution of poverty. Beyond that, capitalism has proven that, under conditions, it can combat not only extreme poverty but also reduce extreme inequality, although not eliminate any form of inequality.

As Rosenberg & Birdzell (1987) explain, economic development can only take place if the economy is so organized that those who can cause economic growth have an incentive to do so. However, today, we need more things than just motivation; we cannot help any community if people do not know how to help themselves. Therefore, knowledge and institutional structures that provide space for knowledge to grow are at least as necessary for any process of economic development. A new institutional background, necessary structural changes, and required multilevel innovations in any effort of a less developed socio-economic system to develop seem imperative in our view to suppress extreme inequality (Acemoglu & Robinson, 2012; Vlados & Chatzinikolaou, 2019).

Moreover, as Friedman (1962) reminds us, at the heart of liberal philosophy lies a belief in the value of the individual, in his freedom to make the best of his abilities and opportunities provided he does not intrude in the freedom of other people to do the same. Therefore, it is critical to distinguish between inequality in results and inequality in the start-up. Usually, we are dealing with one-sided inequality in results, and above all, as reflected in the per capita income index. Nevertheless, inequality always conceals, in its depth, inequality in the start-up: inequality in education and knowledge, inequality in terms of upbringing and health, inequality in terms of the institutional potential of articulating a productive work, and especially nowadays, of opportunities for innovative action, in each less favored socio-economic context.

5. Final notes and discussions: Misconceptions in the articulation of a policy to combat poverty and inequality

In this paper, we attempted to make a brief historical review of the basic concepts of tackling poverty and inequality from the beginning of the phase of globalization in the global economy. Then, we attempted to present some of the statistical data of these very painful phenomena until these days, demonstrating that we have to re-position our view that, supposedly, poverty increases in globalization (Vlados, Deniozos, & Chatzinikolaou, 2018).

Therefore, based on long-term statistics, poverty and inequality appear to be decreasing rapidly, especially in the less developed regions of the planet. However, it is essential to note that inequality appears to intensify in the more developed economies, although poverty, in absolute terms, decreases. This fact means an overall increase in the standard of living for the entire world population during the globalization phase.

The misconceptions that we find about poverty and inequality in globalization seem to have something to do with some of the more general misunderstandings that prevail in international literature regarding the articulation of economic policy. These misconceptions are at least three:

❖ *First, the concept of economic growth is not the same as economic development.*

Economic development is much broader than the increase in national income or individual indicators of macroeconomic stability and growth (Perroux, 1991). Of course, although it is indeed impossible to achieve economic development without parallel growth, the two concepts must be clearly distinguished at an analytical level. The "conventional" problem of economic growth is exhausted in the study of accumulations, while economic development refers to the analysis of much more in-depth, qualitative, and structural socio-economic transformations. By applying a metaphor, we could argue that growth economics studies the "physics" of the economic system while development economics focuses primarily on its "chemistry." The growth economist resembles mostly an "engineer" (economy = engine) while the development economist exploits the "pathologist's" perspective (socio-economic system = living organism).

❖ *Second, there are at least three misconceptions in the articulation of economic policy.*

(i) Economic policy as "de-ideologized" construction:

Economic policy has ideological origins in every expression and, therefore, is never a matter of "de-technicalized" voluntarism, neither for the political power implementing the policy nor for the citizen-voters that validate with their vote. In less developed societies, a "de-ideologized" economic policy is mostly driven by "illusions" such as "choosing people over numbers," assuming that measurement is something unnecessary in economic life.

(ii) Economic policy as "de-strategized" synthesis:

Besides, economic policy can never be autonomous from the specific limits set by its internal and external environments. In case the strategic implications of economic policy are left out, then it is doomed to reproduce a lack of realism that leads to mismanagement of any crisis or development.

(iii) Economic policy as automatic and timeless procedure:

Finally, quite often, economic policy is treated as an automatically implemented, timeless, and ungraded process. As a result, it produces the illusion that, by applying occasional and short-term measures, political leadership can lead a socio-economic system to prosperity and development (Vlados, Deniozos, Chatzinikolaou, & Demertzis, 2018).

❖ *Third, economic policy is wrong in that it focuses too often on foreign aid rather than on human rights and institutional modernization.*

There is plenty of evidence to suggest that foreign aid can do some good, but the good it does is probably small (Coyne, 2013). According to Easterly (2016), many countries have developed with very little or no foreign assistance (especially in Asia). Other countries, such as Zambia, have received enormous amounts of foreign aid, which has never fallen below 10% of the national income for 20 years since the mid-1980s; yet, this country has remained stagnant. By consulting or hiring technical experts, no country can solve the problem of poverty since the lack of economic and political rights is the major problem (Coyne, 2008). Only an institutional environment favorable of political and economic rights can provide the rights that bring socio-economic development (Buchanan, 2003; Easterly, 2008).

Acknowledgment

I would like to express my gratitude to Dr. Andreas Andrikopoulos, Associate Professor at the Department of Business Administration of the University of the Aegean, who provided useful comments during the writing of this manuscript.

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