

# Understanding Globalization

## Contemporary World Issues

Poverty and Inequality

## Introduction

Globalization and poverty both are currently popular and controversial issue. There was a time when most regions were economically self-sufficient. Locally produced foods, fuels and raw materials were generally processed for local consumption. Trade between different regions was quite limited. Today, the economies of most countries are so interconnected that they form part of a single, interdependent global economy. As far as globalizations impact is concerned and its effects on economic growth, employment, income distribution and also income inequality as well as poverty.

# Meaning of Globalization



Globalization describes an ongoing process by which regional economies, societies, and cultures have become integrated through a globe-spanning network of communication and execution.

Globalization or is the process by which the people of the world are unified into a single society and function together.



## Definition of Globalization

Robertson expressed, “Globalization is the compression of the world and the intensification of consciousness”.

Anthony Giddens, “Globalization refers to the fact that we all increasingly live in one world, so that individuals, groups and nations become interdependent.”



# POVERTY



**Poverty** is general scarcity, dearth, or the state of one who lacks a certain amount of material possessions or money.

# Definition of Poverty

The concept of Poverty is defined as the scarcity or the lack of a certain (variant) amount of material possessions or money.

Poverty is a multifaceted concept, which may include social, economic and political elements.

“A severe lack of physical and mental-well being, closely associated with inadequate economic resources and consumption (Brataz and Grisby 1971)”.





## Definition of Absolute Poverty

The most widely held and understood definition of extreme poverty, established by the World Bank, defines poverty in strictly economic terms — earning less than \$1.90 a day. But the World Bank has also described poverty as follows:

“Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is powerlessness, lack of representation and freedom.”

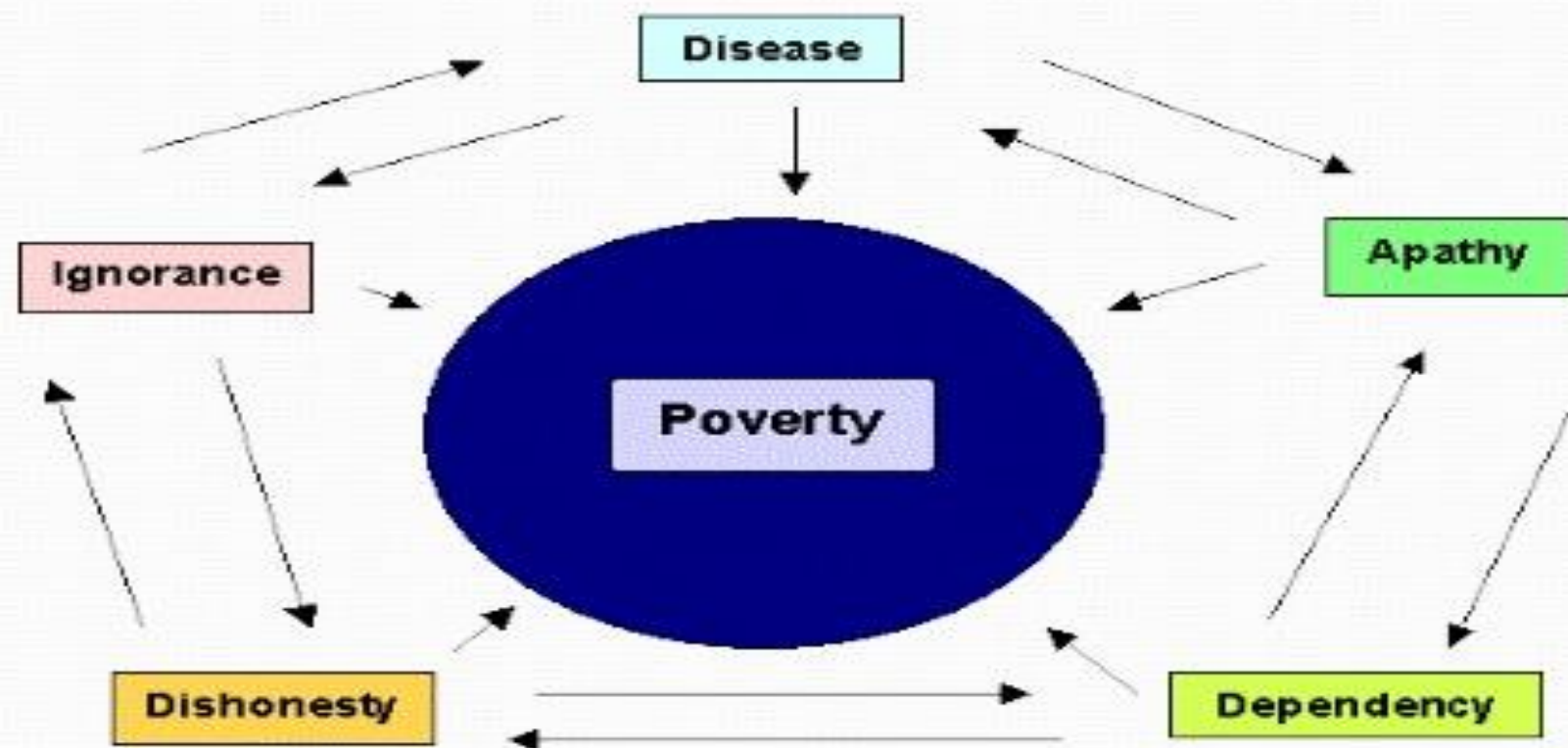


# Absolute & Relative Poverty

- **Absolute Poverty** refers to the lack of means necessary to meet basic needs such as food, clothing and shelter.
- **Relative Poverty** takes into consideration individual social and economic status compared to the rest of society.



## Factors of Poverty



# Poverty Line

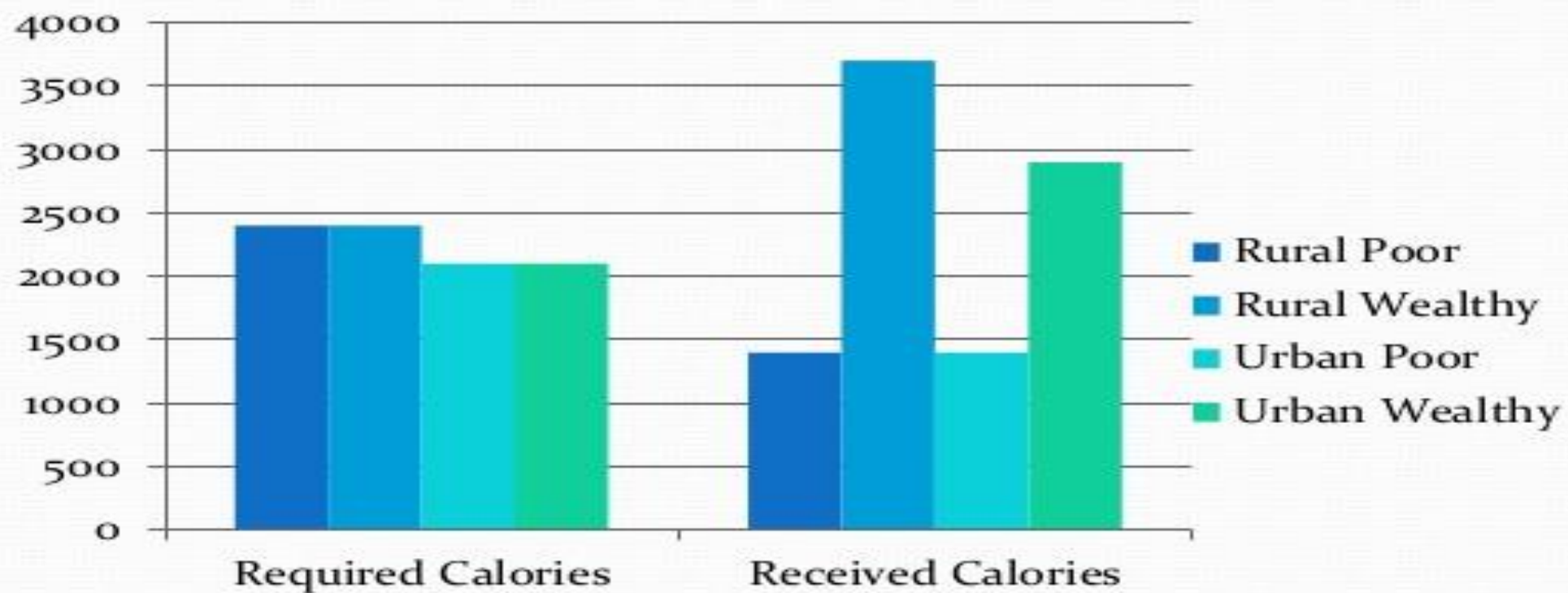
- the estimated minimum level of income needed to secure the necessities of life.
- First introduced in 1990, a dollar a day poverty line measured absolute poverty by the standards of the world's poorest countries.
- The World Bank defined the new international poverty line as \$1.25 a day in 2008
- In October 2015, they reset it to \$1.90 a day.

## Poverty line in India:

- In 1978 It was stipulated that the calorie standard for a typical individual in rural areas was 2400 calorie and was 2100 calorie in urban areas.
- The poverty line was originally fixed in terms of income/food requirements in 1978.
- Then the cost of the grains (about 650 gms) that fulfils this normative standard was calculated. This cost was the poverty line.
- In 1978, it was Rs.61.80 per person per month for rural areas and Rs.71.30 for urban areas.



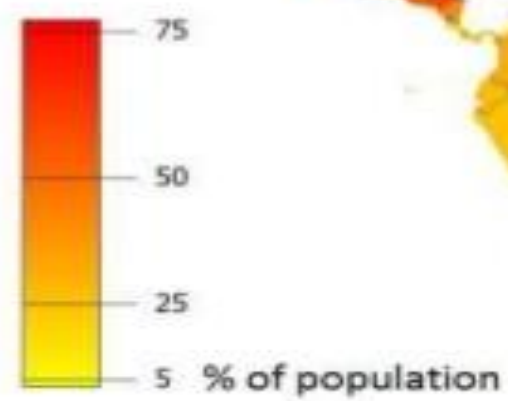
## Calorie Distribution in India



# Poverty Statistics

- Almost half the world — over three billion people — live on less than \$2.50 a day.
- The World Bank forecasts that 702.1 million people were living in extreme poverty in 2015, down from 1.75 billion in 1990.
- Of these, about 347.1 million people lived in Sub-Saharan Africa (35.2% of the population) and 231.3 million lived in South Asia (13.5% of the population)

Poverty rate at  
national poverty line

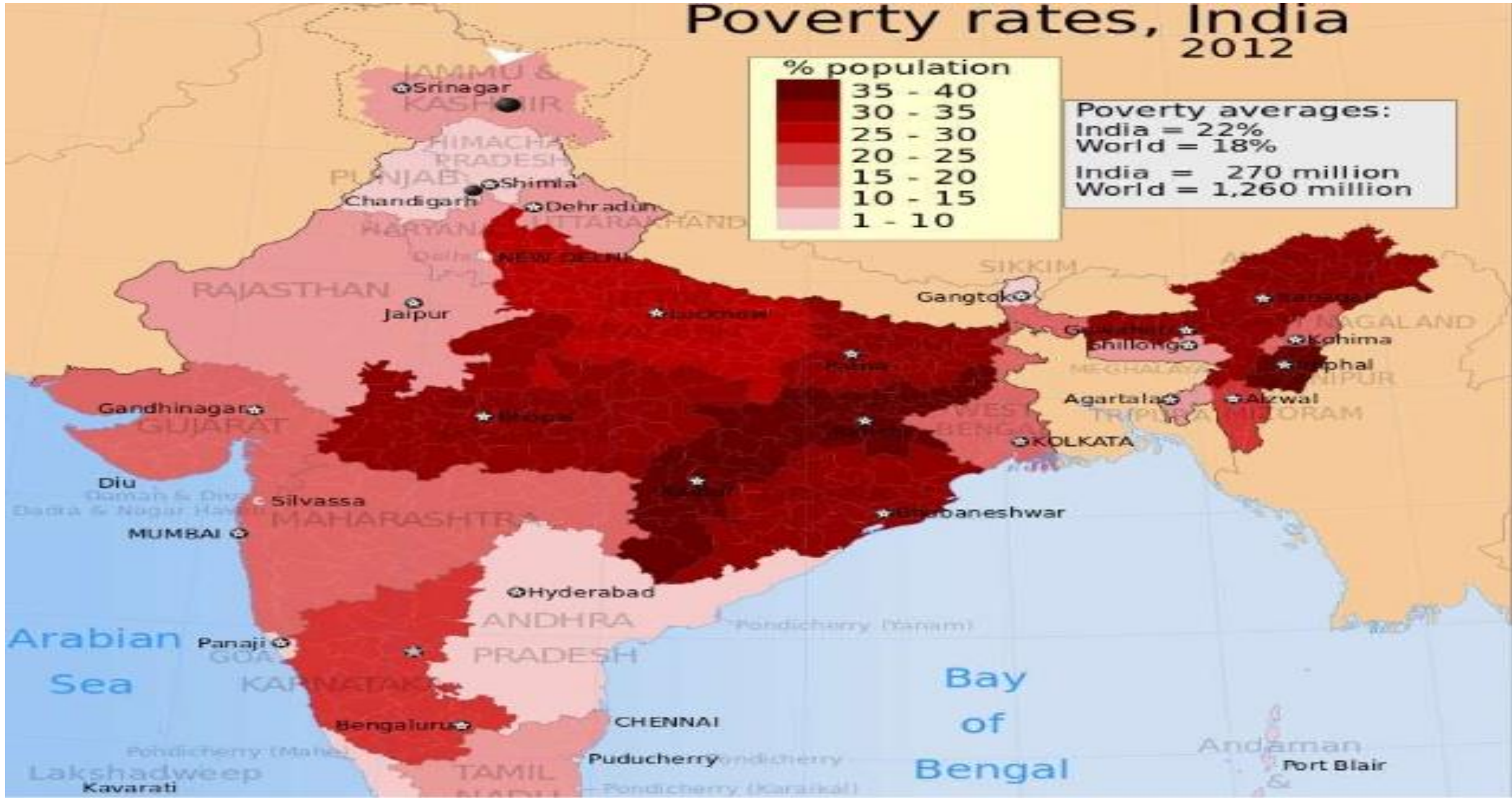




# Poverty in Indian States

- India has the **world's largest number of poor** people in a single country
- More than 75% of poor people reside in villages
- The poverty level is below 10% in states like Delhi, Goa, and Punjab etc
- whereas it is below 50% in Bihar (43) and Orissa (47). It is between 30-40% in Northeastern states of Assam, Tripura, and Meghalaya and in Southern states of Tamil Nadu and Uttar Pradesh.

## Poverty rates, India





# Inequality

**Economic inequality**, also known as **income inequality** and **wealth inequality**, is the difference found in various measures of economic well-being among individuals in a group, among groups in a population, or among countries.







# Causes of Economic Inequality

- (i) Wages are determined by labor market
- (ii) Education affects wages
- (iii) Growth in technology widens income gap
- (iv) Gender does matter
- (v) Personal factors

# Impact of Globalization on Poverty

## Positive Impact:

It claims that globalization generally reduce poverty because more integrated economics tend to grow faster and this growth is usually widely diffused. Export growth and incoming foreign investment have reduced poverty every where.

- ✓ More efficient markets, increase competition, more wealth equality throughout the world and stabilized security.
- ✓ The opportunities for labor and capital to locate any where in the world.
- ✓ Increase international economies of scale and greater employment opportunities.
- ✓ The increasing reliance of economies on each other.
- ✓ Creates Cheaper Imports and larger Export markets.
- ✓ Provides greater opportunities of free trade.



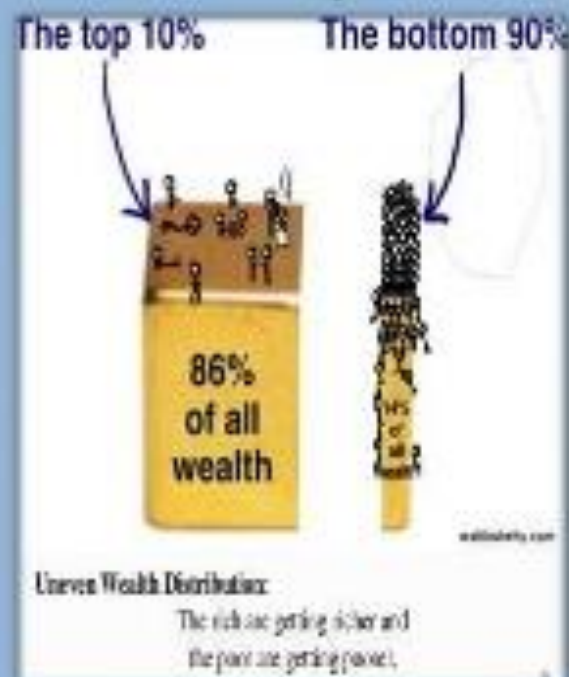


# Impact of Globalization on Poverty

## Negative Impact

Many of the studies in globalization and poverty in fact suggest that globalization has been associated with rising inequality, and that the poor do not always share in the gains from trade.

- Global commerce is increasingly dominated by developed countries which seek to maximizing profits.
- Increase gap between the rich and poor
- Income inequalities
- Competition among developing countries
- It has lowered the per capita income of the farmers and increased the rural indebtedness.





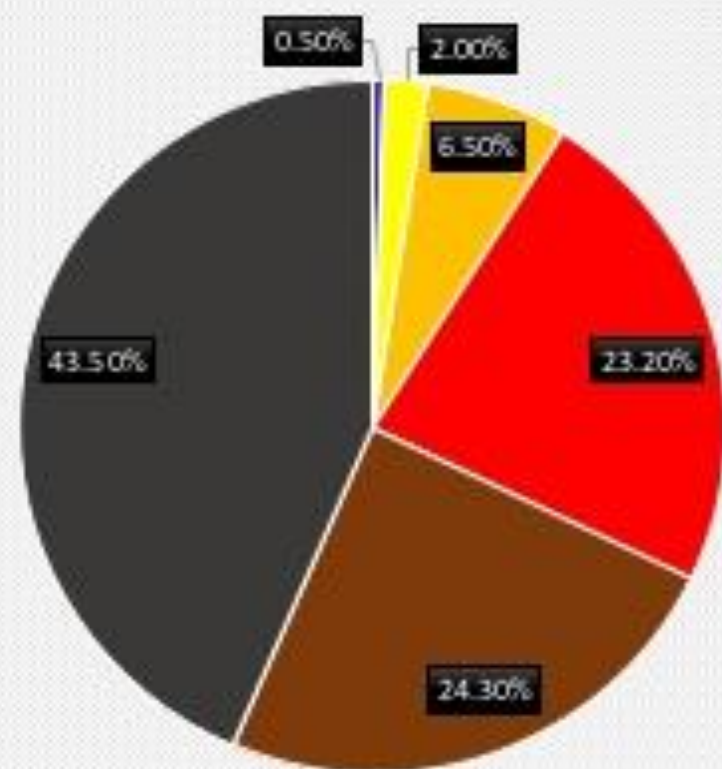
# Impact of Globalization on Poverty

## Negative Impact

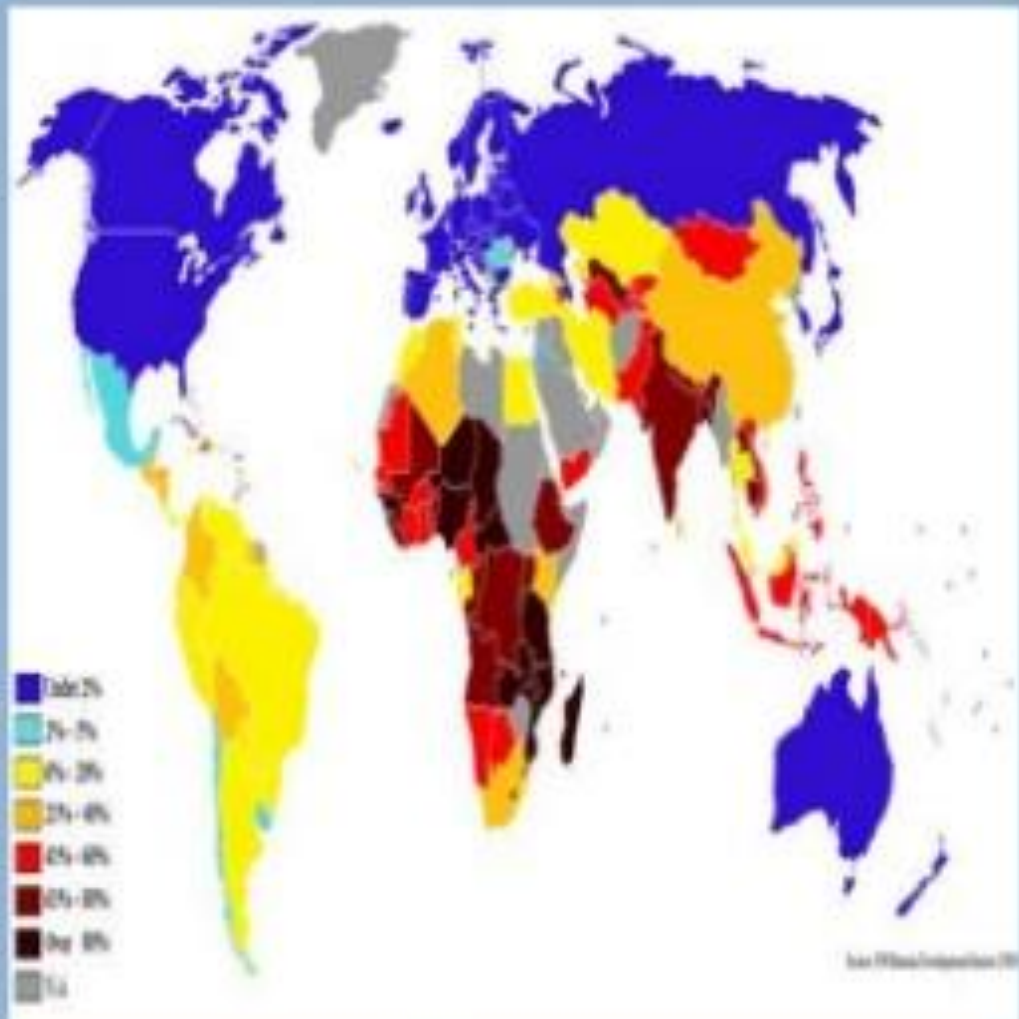
- Small producers are put to hardship
- Uncertain employment
- Dominance of foreign Industries
- Does not protect the domestic industries.
- Increase uneven wealth distribution
- Price hike of daily usable commodities
- Always dominate third world countries



## Where are the world's poor?



- Middle East and North Africa
- Europe and Central Asia
- Latin America and the Caribbean
- East Asia and Pacific
- Sub-Saharan Africa
- South Asia





## Global South and North: An International Class Divide

Characteristic	Developing Global South	Developed Global North
Number of countries	144	66
Population(millions)	5, 629	1, 069
Land Area (thousands of sq. km)	98, 797	35, 299
GNI (\$ billions)	\$ 15, 649	\$42, 415
Gross national income for each person	\$2, 780	\$ 42, 415
Imports (\$ billions)	\$ 5, 503	\$13, 710
Exports (\$ billions)	\$ 5, 938	\$ 13, 710
Women holding seats in parliament (%)	18 %	22%
Life expectancy at birth	67	80
Infant mortality rate per 1, 000 births	50	6



## Reasons of Poverty in Global South

According UN Economic and Social Council, forty-nine countries currently comprise the least developed countries (LDCs) of the Global South. Their per capita income is under \$900 per year, and majority populations depend on agriculture, lower participation in the global market and majority faces war, tyranny and loan. Although democracy has spread to much of the global south since the 1980's, the commitment of some of these governments to regular elections and human rights are fragile.





## Sociological Thinking about Globalization of Poverty

From the Marxist view in his class struggle the capitalist or the owner class always dominate the labor class to gain benefit. Capitalist countries establish their industries or factories on the basis of skilled labor. They demand the more skilled labor from the developing countries. However it creates alienation of unskilled labor from work in industrially developed countries. As a result the capitalist class become more developed and the working class become poorer.



## Conclusion

The relation between globalization and poverty is complex. Though globalization has some negative impact but it has a great role to develop the whole world. Globalization itself should not be hindered. But the extent and pace of its progress should be made to reflect the nation's situation and presenting economic dispensation so that, the developing country itself would be able to strong compete in the wider confluence of globalization