**Globalisation and Inequality within Countries**

\*\*\* answer to question 7 in google doc // invest in education = link to video

*“recent research finds that trade liberalisation is associated more with increased inequality in poor countries and outsourcing by multinationals has increased the relative demand for skilled labour, \*\*\*increasing the pay gap to unskilled labour”.*

Supporters of the anti-globalisation movement argue that globalisation has increased \*\*\*inequality between and within nations and in particular that it has marginalised the poor in less economically developed countries (LEDC) and left behind the poorest countries. Meanwhile, more moderate mainstream politicians argue that the poor must invest in education to take advantage of globalisation.

Under a standard textbook model), globalisation should benefit the poor and reduce inequality, and the poorest countries and less educated workers should have the greatest opportunity to benefit from globalisation. However, evidence from specific LEDCs following trade liberalisation and from cross-country studies does not suggest that trade liberalisation generally reduces inequality in poor countries and in fact frequently suggests that trade liberalisation is \*\*\*associated with increased inequality. For example, after Mexico embarked on a broad liberalisation of trade and foreign investment, the return to schooling increased: white-collar real hourly wages increased by 13.4 percent 1984-90, while blue-collar wages fell by 14.0 percent. The biggest rise in inequality was observed in firms engaged in export industries. Rising wage inequality in Mexico is linked to capital inflows from abroad. Outsourcing by Northern multinationals shifted production towards skill-intensive goods, thereby increasing the relative demand for skilled labour with Multinational firms and joint ventures paying higher wages. Most recent research finds that trade liberalisation is associated with increased inequality in poor countries. In sum, the evidence does not support the expected theoretical effects of globalisation consistently reducing inequality in poor countries. Another striking example is India where call centres tend to employ middle-class Indians who can speak with an American accent with which U.S customers are familiar. Multinationals and exporters in LEDCs also pay manufacturing wages substantially above the norm for the country.

To summarise, it seems that the presence of some industries in which foreign investors typically hire medium-skill workers who are high-skill relative to others in their country may help explain why there is not a clear equalising effect of trade in poor countries.

(source: in: *International Poverty Centre* (IPC), Poverty in Focus, June 2007)