

THE DISCOMFORT IN GLOBALIZATION IN THE XXI CENTURY: REASONS OF INEQUALITY'S GLOBAL INCREASE

El malestar en la globalización en el siglo XXI: razones del aumento global de la desigualdad

O discomfort na globalização no século XXI: razões do aumento global da desigualdade

Marco Vásquez Méndez^(*)

Para citar este artículo / To reference this article / Para citar este artigo:

Vásquez Méndez, Marco. (2017) The discomfort in globalization in the XXI century: reasons of inequality's global increase. *Rev. chil. relac. Int*, vol I (2):07-28

Recibido el 10 de abril de 2017

Aceptado el 13 de agosto de 2017

Abstract

Globalization can be interpreted as an opportunity and failure for some countries. There are theories that attempt to explain the growth of poverty through the lack of policies governing the economic system and generate a mutual growth between the different social classes. In this way globalization, for certain thinkers, has been the trigger for growth in the social divides, where those who knew how to use it went ahead and reached the prosperity, while others are victims of insecurity and shortages. For this reason, this article aims to explain the discomfort of globalization analyzing the problematic of global inequality from the effects of free commerce and the actions of the intergovernmental institutions.

Key Words: Social divides, Inequality, Globalization, poverty

Resumen:

La globalización puede ser interpretada como oportunidad y fracaso para algunos países. Existen teorías que intentan explicar el crecimiento de la pobreza mediante la falta de políticas que regulen el sistema económico y generen un crecimiento mutuo entre las distintas clases sociales. De este modo, la globalización para ciertos pensadores ha sido el detonante del crecimiento en la brecha social, donde aquellos que supieron utilizarla salieron adelante y alcanzaron la prosperidad, mientras que otros, son víctimas de la precariedad y el desabastecimiento. Por esta razón, este artículo propone explicar el malestar de la globalización analizando la problemática de la desigualdad global desde los efectos del Libre Comercio y las acciones de las Instituciones intergubernamentales.

Palabras Clave

Brecha social, Desigualdad, Globalización, Pobreza

^(*) International Business Manager of the Pontifical University Bolivariana (UPB) - Colombia. Professional's Support of the Purchase Department. Researcher and a member of the Group of Research in International Business Administration, at UPB. Email: marco.vasquez.2013@upb.edu.co

Globalization has become known for integrating the world, where barriers do not exist and we see a high flow of passengers around the world. This leads to an interdependence that turns the world into a global village, where we share and exchange goods and services, benefiting all who participate. The basic idea is heard as an alternative to international cooperation, where all actors will be good neighbors and grow together. Currently, there is great social disparity, which is known as “the social divide.” This situation divides the world into two extremes: On one end are so-called developed countries, who enjoy a better living standard, good wages, access to quality education, and better opportunities. In these countries, governments invest large sums of money, and are producers of final goods that generate great value and knowledge to its economy. In these areas, high quality is an important factor. On the other end are developing countries. Nations that lack sanitation, education, housing, infrastructure, development, benefits, and above all, opportunities. You might think that those who are rich are so because they were victims of a miracle, or your country has great natural reserves that allow them a greater production and supply of goods? The answer is NO.

Globalization following the fall of the Berlin Wall, promoted the capitalist ideology to maintain a growing economy through rent seeking, it is here where the industrial revolution continued its development which in turn spread more inequality. A milestone of global inequality can be attributed to industrialization. The implementation of technology improves the efficiency of production, generating greater sales potential to increase supply, but the disadvantage occurs when only a few countries decide to adopt the technology as a development strategy, for example: the United States and Colombia in the agricultural production of orange.

The dedication of the plumber to gather the harvest of a hectare is a day in both countries. The arrival of technological

advances created a machine that collected the production, reducing costs in human resources and increasing the level of collection, therefore, this invention could collect five hectares per day. If both countries decide to buy the machine, they would have the same production level, but only one of them decided to buy it, which led to increased production and sales, but at the same time, inequality in the rent-seeking. Those who adopted the technological changes initiated a path to prosperity, but those who do not, were gradually sinking to a state of extreme poverty.

Today, the world is divided into developed and developing countries. To generate social equality, there are three Bretton Woods intergovernmental institutions that would help improve global well being. The first is the World Bank, a body that is responsible for eradicating hunger and reducing extreme poverty. The second is the International Monetary Fund, who will provide money to developing countries to reach their goals and improve the quality of life of its citizens. The third is the World Trade Organization, who will maintain order, will monitor movements, and enforce the rules governing international trade. With the conceptual approach of the Bretton Woods Institutions, the world would be a great global village, but the takeover of these institutions in the hands of a minority that keeps their personal interests first is the cause of the crisis facing the world today.

For this reason, this article looks at globalization from its recent discomfort, focusing on an explanation of the global inequality caused by this phenomenon, which seems to be the trigger for that situation. It begins with the analysis of the problem of inequality and its explanation based on the power of the 1 percent; followed by the main causes, being these the industrial revolution, and the emergency plan proposed by western powers. The manuscript is based primarily on two works of the Economist Joseph Stiglitz: 1) The Discomfort in Globalization; 2) The Great Divide: ¿What to do with an unequal society? Writings which try to give a focus on the global problem that every day impacts the development of nations more, giving victory for some, but not for others.

The methodology of the article, it is a descriptive and critical analysis of the situation based on views of economists such as Stiglitz and Milanovic, and reports from entities such as the United Nations, World Economic Forum, and the United Nations Conference on Trade and Development (UNCTAD), among others.

GLOBAL INEQUALITY: A DIVIDE THAT GROWS EVERY DAY

The world is divided by two hemispheres, north and south. For some thinkers, those who were in the north were prosperous countries for its rich geographical, cultural diversity, and optimal climate for agricultural production in the Renaissance era. This is known as the geographic paradigm to explain the wealth of countries. For (Acemoglu & Robinson, 2012), there are three theories that explain the wealth of nations, being emphatic in the determination of the prosperity in some regions where there are countries whose economies are stronger than others, being so close together or many times sharing borders, thereby abolishing the geographic paradigm as a strategy for wealth in the nations.

The borders have been drawn throughout history, marking cultural and ethnic differences, but currently these show power and wealth by dividing societies between the rich and the poor. If one takes up the positions of Acemoglu, there are rich and poor countries, but within the rich country it's the same. The struggle of social classes and the social pyramid are characteristics of populations divided by its wealth where one who is at the top has the legitimate power on the base of the triangle. The Organization for Economic Cooperation and Development (OECD), reveals that the average income of the richest 10 percent of the population in OECD countries is approximately 9 times that of the poorest 10 percent (OECD, 2011, pág. 22).

The income gap between the rich and the poor are reflected in that those who are at the top of the social scale, have better knowledge about the laws of the government, and the scope of the society as a democracy. The poor, being those people who generally did not have access to a decent education service, had to go to the public education offered by the government. In developed countries, public education

meets the highest global standards, but those in developing countries suffer from the lack of academic quality that could form great professionals for tomorrow. This is the beginning of economic inequity, while the poor do heavy work and work long hours, they receive 1 dollar per day, in that same day the rich earned up to 100 times the value of the worker. The previous example should emphasize the following: The one who is rich is so because of their entrepreneurship and enterprise management, from a young age received a good education where the government reported on events and how these affect different policies, and discussed issues like trade and tax policies that will benefit and will continue to grow with their respective businesses. On the other side we have the poor. The one who is poor was born into the public education system and hidden from the political will of the government, therefore, he is illiterate of everything that happens and will continue to be submerged in poverty because they do not have knowledge that will allow them to arise and embark on a path to development. This example manages to explain the vicious circle in which emerging countries are affected by this type of situation.

Global inequality is increasing due to the confusion between capital and wealth. The first is characterized by being the element that allows people access to bins and services, but the implementation of generating profits and earnings on goods and services purchased is converted into capital. Therefore, a country can be very rich, but with no capital. These are two differing variants which are related to each other, but they can act differently. In China, for example, the Gini index rose from 30 in 1980 to more than 45 in 2010 (Frederick Solt, 2017).

In the United States, the 1 percent of the population controls 40 percent of the country's annual income. This situation is related to the theory of marginal productivity, indicating that high incomes are synonymous with increased productivity and contribution to society (Stiglitz, 2015, pág. 110). The problem of power being held in a minority of society, recognized as the bureaucratic elite, tends to rule behind the scenes. These small groups are the main advisers to the Government on issues related to fiscal policy, which leads to the

creation of policies that benefit the business guild, many times not taxing the surplus value, instead, taxing the middle class and leading to social regression that converts the poorest nations but with rates of marginal productivity that disguise the reality of the citizens. Due to the above, there are three reasons that exposes (Stiglitz, 2015) the growth of inequalities in nations.

The elimination of opportunities means that you are not using the great resource of the economy; the human resource in the most productive way possible.

The monopolies and tax policies that give preference to the various interest groups.

The lack of collective action, that is to say, investing in infrastructure, education, and technology.

Due to the above reasons, society suffers a malaise that immerses her each day in poverty and inequality in the distribution of global wealth. The 1% of the richest people on the planet owns 40% of the global wealth (United Nations, 2006), which indicates a bad redistribution in the 60% of global wealth distributed among the remaining 99% of the global population. Extractivism, lack of sanitation, delays in infrastructure and even civil wars are the intellectual property of a social elite that governs the nations, known as the 1 percent.

THE PROBLEM OF THE 1 PERCENT

Today, the world is very unequal, according to the report of wealth 2015, half of all the assets of the entire planet is controlled by the 1 per cent of the wealthy, while the lower half of the global population has less than 1 percent of global wealth (Credit Suisse, 2015). There is a social theory that describes the panorama of the importance of inequalities: If rich people get more benefits, will benefit other people (the poorest) (Stiglitz, 2015, pág. 117). This can be revoked easily by analyzing the current situation. The more benefited the rich, the more they want, impoverishing the lower class via

interest groups that interfere in government policies that give them greater income from capital by subtracting the opportunities from the emerging class, and subordinate the decisions and opportunities that they can provide, that is to say, this theory monopolizes the labor market and the opportunities in society.

There are certain problems of inequality that lead to economic dysfunction, and the rich pay a high price for it. (Stiglitz, 2015, pág. 119) The first is on consumption. The more money is concentrated at the top, the more aggregate demand decreases, which means that all the glory is fleeting. The problem lies in the commercial game of beggar thy neighbor, which ends up getting poorer all the same because it will be on offer in the future for the low demand that its industry has. The second problem is rent-seeking. The collection of rents distorts the allocation of resources and weakens the economy, due to the fact that the economy is focused on the acquisition of wealth derived from real estate and not by the generation of productivity that would allow them access to new jobs to make the pie bigger. On the contrary, what is currently being done is to maintain the same cake unevenly and distributing them among the society. This situation is common in countries rich in natural resources, who see this activity as their sole source of income, and those who have entrepreneurial vision focus on exploiting and increase its capital. The third problem is injustice. The important milestone is the poor remuneration of great talent, simply by generating wealth in the accounts of entrepreneurs. It is outrageous that people work for wages that are reflected in begging, because it is not enough to lead a decent life, taking into account the contribution that human capital is providing for the company. The fourth problem is the mistrust. The speculation market can be a profitable business to attract investors, and then suddenly, plopping down the prices of services subsequent to the acquisition of money makes them rich.

Approximately 1.200 million people lived in extreme poverty on less than \$1.25 a day in 2007 (22 % of the world population), and approximately 2.200 million on less than \$2 a day (or approximately 40% of the world population) (UNICEF, 2011). Extreme poverty virtually represents the 62% of the world population, represented

hypothetically with the theory of the glass of champagne. The liquid is poured into a container, forming a foamy line at the tip of the cup. The champagne represents income, while the foam represents the concentration of power in the hands of a few, that is to say, the global inequality of income represented hypothetically, making reference to the bad management of policies influenced by the few who have power in society, sacrificing the values and opportunities of a large majority, carrying out the alleged recommendations of an economic model misrepresented as Capitalism.

SO-CALLED "CAPITALISM"

There is a worldly belief that describes capitalism modeled by Smith, as the current government around the world. There is no test that will succeed as an example of a government that practice of capitalism, the only evidence is called capitalism of imitation (Stiglitz, 2015). The problem arises after the crisis of 2008, many governments focus their economic development with the activation of the banking sector, which, instead of promoting development, enslaves the society as victims of his own company, to which you must pay all of its services, regardless of whether they are clients of the bank or not. We cannot say that the West promulgates capitalism; there would be no reason to substantiate this principle, where all governments should assist the trade through investments in infrastructure, education and health.

The audit of the economic system focuses its interest in managing low taxes in the social elite, and that fiscal deficit shall be paid by the middle classes, diminishing the power of consumption, where the latter two social classes usually represent the 99 percent of a society (Stiglitz, 2015). Fiscal policies should be planned and controlled to generate a profit in both the top and the bottom of the pyramid. That is to say, the world is bound by extractives' governments which impede the development of an equitable way to eliminate the global inequality. The high levels of inequality are also related to the possibility of a political influence on the part of the elites that defend their interests by blocking any egalitarian reform (WEF, 2016).

The concern that addresses tax policy is the impact on the distribution of income, but it must be governed by three main ideas (Stiglitz, 2015, pág. 150).

It is better to tax bad things than good things, for example: pollution and speculation; than the work (Human Force) and the saving money.

It is best to tax things like land, oil, and other natural resources which do not go away when you die.

Taxes should stimulate activities that benefit all to deter others who are very expensive to society.

The way of generating equality in the interest of a sustainable development that benefits society as a whole is to manage principles of equity in tax companies alike. It is not fair that the largest companies are exempt for political benefits (by having friends in Congress or Parliament), and to give priority to these companies, and the fiscal gap must be recovered with the smaller enterprises, leading to dysfunction in the policies that encourage entrepreneurship. To remove such opportunities of employment generation by simple aid between friends of high social class is unfair. Therefore, markets are not competitive and governmental influences give advantage to larger companies.

THE INEQUALITIES CAUSED BY THE FINANCIAL SYSTEM: THE FUTURE CONTRACTION OF AGGREGATED DEMAND

Bankers encourage people to borrow beyond their means, especially to those who lack financial education (Stiglitz, 2015, pág. 189). The financial sector, in order to increase profitability, takes advantage of ones who do not know much about finances and convinces them of the acquisition of credits. This drama becomes a daily ghost, especially in the middle class. That middle class is a person with money but who does not know how to use it, therefore that person will never be rich. Your investment is based on assets that will never bring capital. Here, then, are banks involved in offering its

portfolio of services in this way: These entities deter the consumer with information that will allow them to take the decision to acquire a credit card as a solution to the problems of liquidity that they have, but what the consumer does not know, is that by the use of the card could pay up to three times the initial value of the product consumed by the fact defer its value with the bank that he uses, but, due to macroeconomic conditions of the 21st century, say that the poor have little financial capacity due to its low investment in assets, is a myth. People today are looking for ways to pay your fixed expenses like education for children, which decreases in large part the income and collapses the consumption per capita (WEF, 2017). This case is replicated to the students of the 21st century. Different governments through their ministries of education provide financing to young people to gain access to university programs, but in the future, debt will be relentless. So much so that in Colombia, professionals take years to cancel their debt, and even worse, those who used credit for study abroad programs are subject to pay the debt with the exchange rate set by supply and demand.

It is known from experts, economists and politicians (as in the case of Singapore), that the implementation of the economic success in the 21st century has been based on the implementation of educational policies that improve the performance of citizens (academically), to generate a skilled labor force and with great skills that will impact the economy of tomorrow (Reportér, 2014). But for developing countries, this goal is suffering from a dysfunction due to the lack of educational quality, as compared with foreign institutions, which weakens the professional title of the national because it will only be recognized as valid within the same country and a few others through agreements. The problem of student debt is that it slows down economic growth in the future. Young people who are currently in classrooms to get a degree tomorrow will go out to work. Those who are middle class will work years to only pay the debt acquired from their studies, which makes it a problematic situation by generating a dark panorama in the consumption of the new professionals who flood our society. Practically, it could be said that those who are in the upper class are those who can arise quickly and continue to grow, since they have an advantage because they do not

have financial responsibilities with banks and other undesirables to finance educational plans, and enjoy ease in obtaining larger amounts of liquid money for expenses. For this reason, inequality also has a presence in the processes of improvement in human capital (investment in people).

Due to this situation, Colombia, to close the social divide a little, has implemented the program: "SER PILO PAGA" (Be smart is good), which proposes to give education benefits to academically talented young people to obtain scholarships and funding their studies directly with the government, which leads to one of the fulfillment of the Millennium Development Goals -MDG's-, and begins to eradicate poverty. But there is another situation. The excessive demand for professionals in the country (and the world), has carried out a supply of young professionals, who obtained his bachelor's degree but do not exercise immediately. It can be said that they should go out to work and strive for a job that will be poorly paid, and access to government posts is almost impossible, only the social elite may occupy large charges.

INEQUALITY IS NOT INEVITABLE.

Inequality is not an option, it's a business strategy that leads to economic improvements by sacrificing a few. The notion of the violent extremes of wealth and income are inherent in capitalism (Stiglitz, 2015, pág. 333). The so-called capitalism of the century XXI, or bogus capitalism, are the basis of the social imbalance that abounds global society, where only a few enjoy well-being, while others must suffer the misery by the mismanagement of public funds caused by corruption.

Embezzlement is an evil that deepens the society of the present-day century. The United Nations Environmental Program - UNEP- held in its agenda of the year 2013 a debate on corruption and its importance to curb a situation that grows more each day, leaving misery and famine (UNEP, 2013). It can be noted that the nations hardest hit by this discomfort are those who were victims of colonization.

The imposition of policies in society in continents such America (especially the South) and Africa, generated a period of passivity in its citizens. With the passage of time, the inhabitants of those regions were enduring the oppression imposed by its settlers, so much so, that they decide to generate revolutions with the aim of overthrowing the mandate. It is here where the revolutionary leaders of nations emerge, but they won't cede power in their future, converting governments into a dictatorships and military regimes. Problems that the current rulers of the developing countries have inherited can be noted; practically power is transmitted through family lineage, forming an oligarchy. In essence, the republics and democracy are a farce that all citizens imagine living in.

Democracy today does not meet the objective set in ancient Rome, giving power to the people. The society is manipulated and seduced by politicians, who to win a seat by offering money, bribes, or gifts so that voters elect them in order to achieve power within the government. That is to say, democracy has been transformed into an "ineptocracy." Analyzing the term mentioned above, the world is going through a process of regression, where those who have the power can make their own policies, no matter how they can affect the society. If you analyze deeply the political situation that the world faces recently, the ineptocracy has been a current created by the same people, who are left to buy to get benefits, but their decisions are not measured in impact they have to cause damage. The blame for the inequality is in the bad management of the government, but also of the people, who are repressed to take any decisions against the regional administrations for not to lose the benefits and favors that politicians have provided to them. The increasingly widespread and profound inequality that we suffer is not driven by economic laws, but by immutable laws that we have prepared ourselves (Stiglitz, 2015, pág. 338).

GLOBALIZATION AND INEQUALITY: THE CONSEQUENCES OF THE INDUSTRIAL REVOLUTION AND THE SHOCK'S PLAN.

The discomfort of the social inequality arises mainly from the industrial revolution (Acemoglu & Robinson, 2012), where many governments accept or reject the change and innovation as a pillar of development. Those who oppose do so in order not to cause public disorder among citizens, who want to avoid a creative destruction, which would lead to political destabilization. In the same way, the ruling elites who would be affected alert those in power who are in their team.

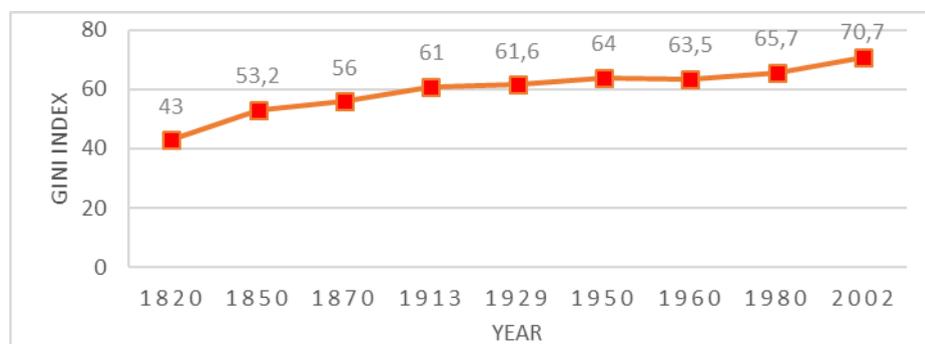
The industrial revolution could be the fundamental milestone to explain the process of global inequality. As a new phase of the industrial revolution, it expands the inequality gap, leaving as a result poor distribution of capital, increase in poverty index, and creates new health problems. Currently, the world faces the start of a fourth industrial revolution. Schwab, in his latest book, analyzes this phase with respect to the individual, concluding that it will generate new social divisions between those who accept and reject it. This ontological inequality will separate those who adapt to those who resist. That is to say the winners and losers in every sense of the word (Schwab, 2016, pág. 107).

The increase in inequality is more than an economic phenomenon that generates concern, it is a great challenge for societies (Schwab, 2016, pág. 102). In the future, it should come as no surprise to find a major expansion in the social divide. The MDG's affected by technological progress that brings this phenomenon. The economic impact of the fourth industrial revolution consists in increased productivity due to the replacement of human labor by the emergence and implementation of innovations that cause creative destruction. The world is next to a mass dismissal process, where technology will replace people, allowing employers greater profitability due to the increased production generated by machines, which can be exploited without any fear. Labor markets, meanwhile, are skewing toward a limited range of technical skills, at the same time, that the platforms connected to the global level (Schwab, 2016,

pág. 101). The only winners will be those that manage innovation processes, otherwise, the technical and operational roles will be replaced by a machine that will perform the same activities, faster than people.

The inequality in the distribution of income is a normal process that occurs during an industrial revolution; it's a phenomenon that will change the productive systems of the economies (Nieves, 2015). One of the main social inequalities starts with the poor distribution of income. With the passage of the industrial revolutions, it is easy to notice the increase in inequality, and the opening of the social divide. If the GINI index, along with the important landmarks of the industrial revolution, it can be seen that, after each stage of the industrial revolution, the index of inequality increases. Historically, the social divide started when the source of income of a nation was agriculture. To speed up the processes and have to time the orders that were needed, the technological invention began its acting, which led to improvement in production times and progress that made the cave paintings in industrial processes. It is as well as the first social changes, the landlords were those who controlled the market, but only those who embraced the technology as a development strategy.

Graphic 1 Global Gini Index from 1820 to 2002



Own elaboration. Based on (Milanovic, 2009)

In Figure 1, you can appreciate the overall GINI index in the period of 1820-2002. This result made by Milanovic, shows the growth since the start of the industrial revolution. To understand the

following analysis, will begin with a brief account of the industrial revolution and its phases (Banco de la República, 2015):

Phase 1: Starts in 1786. The British engineer James Watt steam machine implement the transport in England.

Phase 2: Starts from 1870. It is characterized by technological advances in electricity and its application to the industry and domestic life.

Phase 3: Starts from 1920. It is characterized by the implementation of the aviation and atomic energy, as well as the biology and the development of the media.

Then, starting in 1786, with the invention of the steam engine starts the replacement of animals for the transport of cargo, and also, of persons carrying out activities in weaving. In the Table 1 shows the growth of inequality from 1820 and 1870, only in that period inequality increased by 23.21%. In phase 2, the presence of the monopoly, such as cars, TV operators, electricity and over-exploitation of resources such as iron and steel. In this phase is over-exploitation of the people, demonstrating that only managers of enterprises had good wage levels, while the employees were not valued as individuals and are subjected to long hours of work. Since 1820, only a few countries achieved economic growth, between 85% and 95% of the global population of the time he lived in extreme poverty (Roser, 2017).

With respect to the Phase 1, Phase 2 increase inequality in a 9.09%, could be more, but hostilities caused by the First World War stalled growth. Finally in Phase 3, the atomic energy took an important role is this stage of the revolution; it was a promoter of growth but at the same time, antagonist of hemispheric security. During the period between the two world wars, inequality did not have disorder, in fact, the conflicts generated a work stoppage in the inequality that even after the second world war, inequality fell by 0.7 per cent in 1960. With the recovery period and the expansion of capitalism, inequality takes again momentum generating more openings in the social gap, so much so that after the fall of the Berlin Wall, the inequality spread and became the society in 99 percent controlled by 1 percent. In 1950 the world became uneven, suddenly,

the distribution of income became bimodal. On the one hand a few earned \$500 a year, while others more than \$5,000 per year (Roser, 2017).

Inequality is low when the levels of development are reduced, increases in periods of industrialization and decrease as countries reach economic maturity (Milanovic, 2016, pág. 46). The economic maturity can be represented by the commercial opportunities offered by the liberalization of markets, therefore, one way of eradicating poverty through trade, is through economic growth (UNCTAD, 2010) But currently, trade has grown and for some has generated an economic recession, putting in check this appreciation that has been quoted many times by economists. Inequality has been globalized and gets worse over time, to this end, the cooperation and the philanthrocapitalism has tried to be the a solution to the social inequality caused by trade. Due to the above, the capitalist theory of market openness in much of the world has further opened the gap between rich and poor people, and therefore, it is necessary to rethink that theory.

OPENING OF MARKETS AND THEIR INHERENCE TO POVERTY: THE BROKEN DREAMS OF THE FILTRATION ECONOMY

The international trade has had a boom since the Roman Empire, emerging through the Silk route that showed an economic alternative to generate economic development through exchange of goods and services (National Geographic, 2015). There are two ways to promote the transitional stage of protectionist markets to free money changers that promotes the internationalization of trade: The first is known as the shock therapy created by Friedman (Stiglitz, 2016, pág. 254), which seeks to immediately reduce tariffs of a nation and flood the economy with foreign products to start the process of competitiveness based on international trade. On the other hand, arose the gradualist trend (Stiglitz, 2016, pág. 254), who said that it was not necessary to go so fast, nations should prepare for economic openness and not suffer internal economic crisis.

For several decades, provided that the governments have imposed free market programs of broad scope have opted for the free shock treatment that included all the shock measures (Klein, 2007). This measure had certain aspects that showed the double morality of the promoters of this doctrine. It is unfair that people of rural environment must compete with very low prices to their own city overnight, but many times those changes were implemented by external pressures of local government, exactly from the International Monetary Fund IMF- who has opted for a pre-Keynesian stance of fiscal austerity, and delivery of money only if the borrower is folded to their economic proposals (Stiglitz, 2016, págs. 89-90), including trade liberalization as a successful event of capitalism on a global level.

The liberalization of the market is expressed as the suppression of the public interference in financial and capital markets, and barriers to trade (Stiglitz, 2016, pág. 122). The IMF argues that liberalization of the market allows the attraction of capital flows for a financial growth. The weak point of this situation is the increase in social inequality due to the role of the IMF (Mahbubani, 2013), who intervenes economies to request the removal of trade barriers to the free flow of products from powers, while they (promoters of free trade) protect its economy with tariff barriers that restrict the importation of products in their Nations. The latter Nations mentioned, hinder the free access to agricultural production in the developing countries, and furthermore, in the majority of cases distort markets with subsidies for the production and the agricultural export (CEPAL, 2004)

The problem of inequality generated by globalization through free trade is the subsidiarity of governments on agricultural goods. It all starts with the industrial revolution again. Developed countries already had advantage over those who were just beginning to understand the world order, and therefore, the avarice and greed for power of capital, led to developed countries to disclose his doctrine at the global level, seducing to developing countries to accept their trade policies to generate economic growth. At that time starts the role of Foreign Direct Investment -FDI - which causes controversy in countries less favored by their unfair competition that led to the bankruptcy of some local industry. Competitiveness is not bad, on the

contrary, it is good because improves processes and makes it better for a company, but to do this you must have a process of preparation which will enable employers to deal with the situation. In the same way, FDI promised new industrial, which meant new jobs, but the inequality starts when employees received low wages, and all the capital was in the hands of the owner of the company, which impoverished nations because they had no other alternative, it is the only source of work. The FDI was an event of globalization that has created a world market facing to unskilled workers and expensive in the United States against the unskilled workers but cheap in other countries (Stiglitz, 2015, pág. 111).

Trade agreements today, are different from those that were signed after the Second World War, which focused only on the reduction of tariffs. When this is done, trade expanded and each country developed its strongest sectors to improve the standard of living of its citizens. Some jobs were lost, but a few new were created (Stiglitz, 2015, pág. 296). Currently the main objective of the commercial agreements are non-tariff barriers, those regulations imposed by major multinational corporations to prevent the entry of goods due to low tariffs that are handled around the world, as a response to the "compliance" with the agreements of the World Trade Organization (WTO), but what they did was to generate more barriers to the entry of foreign goods to developed countries.

Due to the crash, FDI, and the formalization of non-tariff barriers, the social gap, generating a dispute between trade and poverty reduction. To eradicate this situation, which is the first MDG, the economy of the filtration and early solution to the inequality created by the opening of markets and globalization. The economy of the filtration, according to Arthur Lewis: "Inequality was good for development and economic growth, because the rich save more than the poor, and the key to growth is to increase the capital (Lewis, 1954). Lewis bases its interest in seeking the capital increase, regardless of who wins and who loses, but Kuznets said: "In the initial stages of the development inequality grew, but this trend was reverted after" (Kuznets, 1955) But it also seems to have failed with their approach. Some believed in the economy of the filtration that finally the benefits

of growth are filtered and even the poor (Stiglitz, 2016, pág. 152) However, the economy of the filtration becomes a myth to know that there is a barrier that prevents the most needy reach the opportunities and prosperity promised by the upper class, which is supported by the government, generates them and reduces tax subsidies to provide greater well-being to society. But in reality, what generates is greater inequality in the distribution of wealth, a contraction of global opportunities that help with the eradication of poverty, and degrade in the well-being of the world.

CONCLUSIONS

Globalization is good, it is a process that allows you to integrate the world and be treated as a global village. The downside of the situation, are the bad intentions of powerful countries that manipulate the government to generate social change in favor of their own interests. The management of the institutions created after the Bretton Woods according to their objectives at the start, fail to generate an overview of normalcy and calm where all the inhabitants of the world would have benefits and opportunities. Over time, these institutions were regulated primarily by the United States and the United Kingdom, generating a global collapse and a gap caused by the pursuit of personal interests that these countries want to achieve.

International trade could help to generate opportunities to reduce poverty, but for that, you need a United cooperation and convergence in order to generate a win-win through trade. The crash was the strategy of big government to cover increased participation in the global market, regardless of the consequences that leave his step in the countries implemented. Many domestic entrepreneurs complained about the processes of acceptance of international goods, making reference to the imbalance created by the industrial price competition where the imported products were cheaper than domestic products.

The injustice in this case lies with the subsidies to the industry in developed countries, putting at risk the industry of emerging countries against the imposition of trade policies that only favored the large and did lose to small entrepreneurs who began a stage of ascent. The final conclusion of the shock's plan is the double moral planned

by the World Order, where the developed countries should provide opportunities to those in developing countries so that they can arise and generate economic growth. If this were so, why is the intention of developed countries to suddenly enter into poor countries, where your source of income is agriculture, and flood the market with agricultural products that they also produce but at a lower price and free of tariffs, whereas, if the poor country wanted to export their products to the developed should pay high tariffs imposed by the country, awarding it to protect your industry?

The philanthrocapitalism or subsidies to developing economies do not provide the objective of insurance to help eradicate poverty of those territories, on the contrary, less-favored nations are victims of military regimes, that when you receive this type of aid, feeds your system more and the power is concentrated in the governing elite. Subsequent to the criticisms made by the mishandling of the developed countries and their compliance to the generation of opportunities to developing countries, the economic subsidies to help poor nations to emerge from poverty, but the problem that happens, is when those monies never come back to society, that is to say, in the economy of filtration, a barrier will be built that prevents the flow of foreign capital toward the citizens; a barrier known as corruption, where the ruling elite manages these resources and enjoy it for personal benefits by subtracting the growth opportunities that the nation could have, and generating greater problems for health and education.

The only inequality will be reduced when the world order is more equitable, giving representation to all nations in the decision-making process of the global agenda, especially in the case of the Security Council of the United Nations - UNSC. Kishore Mahbubani planted in his book "The Great Convergence" the need to implement a more equitable global system where all the continents are participants in the decision-making that affects them. Currently the UNSC account with the permanent representation of 5 countries (1 of America; 2 of Europe; and 2 of Asia) that make the majority of decisions over the course of the planet. If we look at the permanence of these countries, are the main actors in the global conflicts as the two sides that are

currently facing in Syria: the United States, the United Kingdom and France supporting the rebels against Russia and China to support the regime of Bashar al-Asad. Mahbubani always was emphatic in this type of situation. Then, can the inequality continue to "improve" with the approaches proposed by this group of interest, or the fulfillment of the MDGs will take place when there is a greater participation of all nations, where greater participation to nations that are forgotten in regions such as Africa and the Caribbean? Or will it be necessary a third world war that allows us to re-structure the Bretton Woods Institutions and generate greater equality of opportunity?

REFERENCES

- Acemoglu, D., & Robinson, J. (2012). *Por Que Fracasan Los Países*. Nueva York: ED.
- Banco de la República. (2015). Banco de la Republica Biblioteca Virtual Luis Angel Arango. Obtenido de Las revoluciones industriales: http://www.banrepcultural.org/blaavirtual/ayudadetareas/comunicacion/las_revoluciones_industriales
- CEPAL. (2004). *Revista de la CEPAL 84*. En A. A. Guadani, & J. Kaufmann, *Comercio Internacional y Pobreza Mundial* (págs. 83-87). Nueva York: CEPAL.
- Credit Suisse. (Octubre de 2015). Credit Suisse. Obtenido de Credit Suisse: <https://publications.credit-suisse.com/tasks/render/file/?fileID=F2425415-DCA7-80B8-EAD989AF9341D47E>
- Frederick Solt. (2017 de Febrero de 2017). The Standardized World Income Inequality Database. Obtenido de The Standardized World Income Inequality Database: <http://fsolt.org/swiid/>
- Klein, N. (2007). *La Doctrina del Shock: El auge del capitalismo del desastre*. Paidós.
- Kuznets, S. (Marzo de 1955). *ECONOMIC GROWTH AND INCOME INEQUALITY*. Obtenido de The American Economic Review : http://blog.bearing-consulting.com/wp-content/uploads/2012/09/Economic.Growth.and_.Income.Inequality.pdf
- Lewis, A. (Mayo de 1954). *Economic Developmentwith Unlimited Supplies of Labor*. Obtenido de Wiley Online Library: <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-9957.1954.tb00021.x/abstract>
- Mahbubani, K. (2013). *The Great Convergence*. Nueva York: Public Affairs.

- Milanovic, B. (2009). *Global Inequality and the Global Inequality Extraction Ratio: The Story of the Past*. Washington D.C: Banco Mundial .
- Milanovic, B. (2016). *Global Inequality*. Cambridge Massachusetts: Harvard University Press.
- National Geographic. (24 de Agosto de 2015). *Ruta de la Seda*. Obtenido de http://www.nationalgeographic.com.es/viajes/grandes-reportajes/la-ruta-de-la-seda_9588 Reportajes:
- Nieves, V. (10 de Noviembre de 2015). *El Economista*. Obtenido de *La Tercera Revolución Industrial y la desigualdad económica: un vistazo al pasado para conocer el futuro*: <http://www.economista.es/economia/noticias/7135244/11/15/La-Tercera-Revolucion-Industrial-y-la-desigualdad-economica-un-vistazo-al-pasado-para-conocer-el-futuro.html>
- OECD. (2011). *DIVIDED WE STAND: WHY INEQUALITY KEEPS RISING*. OECD.
- Reportér, G. (Dirección). (2014). *Educação de Altíssima Qualidade em Cingapura - Neuro Aprendizagem* [Película].
- Roser, M. (2017). *Global Economic Inequality*. Obtenido de *OurWorldInData.org*: <https://ourworldindata.org/global-economic-inequality>
- Schwab, K. (2016). *La Cuarta Revolución Industrial*. Cologny, Suiza: World Economic Forum.
- Stiglitz, J. (2015). *LA GRAN BRECHA, ¿QUÉ HACER CON SOCIEDADES DESIGUALES?* En J. Stiglitz, *LA GRAN BRECHA, ¿QUÉ HACER CON SOCIEDADES DESIGUALES?* (pág. 477). NUEVA YORK: TAURUS.
- Stiglitz, J. (2016). *El malestar en la globalización*. Nueva York: Debolsillo.
- UNCTAD. (2010). *Does trade increase growth , and does growth reduce poverty?* En UNCTAD, *Virtual INstitute Teaching Material on Trade and Poverty* (pág. 134). New York & Geneva: United Nations.
- UNEP. (Marzo de 2013). *The impact of corruption on climate*. Obtenido de *Global Environmental Alert Services (GEAS)*: http://www.unep.org/pdf/unep-geas_march_2013.pdf
- UNICEF. (2011). *Global Inequality: Beyond the Bottom Billion - A Rapid Review of Income Distribution in 141 Countries*. Nueva York: ONU.
- United Nations. (5 de Diciembre de 2006). *Centro de Noticias ONU*. Obtenido de *La riqueza del mundo en manos de pocos*: <http://www.un.org/spanish/News/story.asp?newsID=8331&criteria1=#.WKxBF2-GPIU>
- WEF (Dirección). (2017). *This is What poor people spend money on when governments gives them cash* [Película].

WEF. (4 de Abril de 2016). El crecimiento económico no es suficiente para hacer frente a la desigualdad. Obtenido de World Economic Forum: <https://www.weforum.org/es/agenda/2016/04/el-crecimiento-economico-no-es-suficiente-para-hacer-frente-a-la-desigualdad/>