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UNIVERSITÀ NICCOLÒ CUSANO

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GROWTH, POVERTY AND INEQUALITIES IN THE AGE OF GLOBALIZATION

di

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1. Introduction. In this paper, I will first examine how globalization has affected growth and development during the most recent period of rapid globalization that started in the early 1980's, and how growth and development, in turn, has affected and affects the level and the extent of poverty and inequalities in developing countries. Then, I will examine what the United Nations, the World Bank, the International Monetary Fund and other international aid organizations, as well as rich nations individually, can do to facilitate and encourage more rapid growth and development, and how world governance can be changed to allow poor countries to receive a greater share of the benefits emanating from globalization.
2. The Growth Report. In 2008, the high-powered Commission on Growth and Development published T*he Growth Report* (2008) which provided an in-depth analysis of the common characteristics of the 13 high-growth economies during the post-war period. The high-growth countries are defined as those that achieved an average real growth rate of at least 7 percent per year over a period of at least 25 years from 1950 to 2005.[1]
Although The Commission could not find any unique blueprint for ensuring high growth, it found that the high-growth countries shared five common characteristics. They are: fully "exploited" the world economy; maintained macroeconomic stability; mustered high rates of savings and investment; let markets allocate resources; Had committed, credible and capable governments.

While not specifically mentioned by name, globalization and international competitiveness seem essential characteristics embedded in a high growth strategy. Characteristics one (fully "exploited" the world economy) means that globalization and characteristics four (let markets allocate resources) are essential ingredients of international competitiveness and growth.

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3. Globalization, Efficiency and Growth. There is a strong trend toward rapid globalization in production, labor, and financial markets in the world economy today. For those people, firms, and nations that do take advantage of this trend, the results are increased efficiency, competitiveness, incomes, and growth. The problem is that globalization has also left some people and nations behind.

Global corporations play a crucial role in the globalization process. These are companies that are run by an international team of managers, have research and production facilities in many countries, use parts and components from the cheapest sources around the world, sell their products globally, and finance their operation and are owned by stockholders throughout the world. More and more corporations today operate on the belief that survival requires them to be one of a handful of global corporations in their sector. This is true in the automobile, steel, telecommunications, and aircraft industries, and for companies that produce computers, consumer electronics, chemicals, drugs, and many other products and services.

One important aspect globalization in production is outsourcing, or the foreign "sourcing" of inputs. Indeed, there is practically no major product today that does not have some foreign inputs. Foreign sourcing is often not a choice made by corporations in the hope of earning higher profits, but simply a requirement for those that wish to remain competitive. Firms that do not look abroad for cheaper and higher quality inputs risk not being able to compete in the world—and even in domestic—markets. Such low cost, offshore purchase of inputs is likely to continue to expand rapidly in the future, and is being fostered by joint ventures, licensing arrangements, and other non-equity collaborative arrangements.

Foreign sourcing can be regarded as manufacturing's new *international* economies of scale in today's global economy. Just as companies were forced to rationalize operations within each country during the 1980s, they now face the challenge of integrating their operations for their entire system of manufacturing around the world in order to take advantage of the new international economies of scale. The most successful multinational corporations are those that focus on their core competencies that are indispensable to their competitive position over subsequent product generations and cycles, and "outsource" all the rest from outside suppliers (see Salvatore, 2010).

Over time, outsourcing of some parts and components gave rise or evolved into the numerous and elaborate *production supply chains* that exist today, whereby the various stages of production for many advanced products are now performed in different locations and nations. For example, some parts and components used in the production of automobiles crisscross the U.S.- Mexican border several times before being assembled into automobiles in the United States or Mexico. The same is true of Airbus planes assembled in France from a production chains involving French, German, U.S., British, Spanish and firms in many other nations. Indeed, this is true in

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the production of many other products and becoming more and more prevalent in the world today. Disrupting these production chains by erecting trade barriers or as a result of some natural disaster can be extremely costly in terms of efficiencies and production-time lost.

Also dramatic is the globalization of labor markets. Work that was previously done in the United States and other advanced countries is now often done much more cheaply in some emerging markets. This is the case not only for low-skill, assembly-line jobs, but also for jobs requiring advanced computer and engineering skills. In fact, a truly competitive global labor force has been developing that is willing and able to do jobs most efficiently at the lowest possible cost. Even service industries, such as making airline reservations, processing tickets, evaluating X-rays, preparing income tax returns, and answering calls to toll-free numbers are more and more frequently being done abroad (see, Salvatore, 2008).

Workers in advanced countries are raising strong objections to the transfer of skilled jobs abroad. Nevertheless, in the future more and more work will simply be done in those advanced and emerging market economies best equipped to do a particular job most economically. If governments in advanced nations tried to restrict the flow of work abroad or interfere with the functioning of existing production supply chains, their extension or with the setting up of new ones in order to protect domestic jobs, their firms would risk losing international competitiveness and they may end up moving all of their operations abroad.

The globalization of financial markets also leads to the utilization of capital where it is more productive and efficient, thus increasing the returns on investment, allowing for the diversification of risks, and raising income and growth in general. The globalization of financial markets, however, may also lead to financial bubbles and local financial crises that can then, through contagion, become full-fledged global financial crises — as it happened in 2008.

In conclusion, we can say that globalization in production, and in labor and financial markets is important and inevitable—important because it increases efficiency, inevitable because international competition requires it. Besides the well-known static gains from specialization in production and trade, globalization also leads to even more important dynamic gains by extending the scale of operation to the entire world and by leading to the more efficient utilization of domestic resources (labor, capital and technology) at home and abroad. Finally, it must be pointed out that the globalization process has not gone into reverse in recent years, as some people and even experts believe. Globalization has simply returned more or less to its growth trend of the 1980s and 1990s, after its excessive expansion (bubble) from 2002 to 2007 and subsequent decline in 2008-2010 (see Salvatore 2016).

4. Globalization, Economic Growth, and Development. Growth is the most important economic goal of countries today. The best available measure of growth in standards

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of living that will also allow comparisons across countries is in terms of purchasing power parity (PPP) per capita incomes. This takes into account and makes the proper adjustment for all the reasons (such as an undervalued exchange rate and non-market production) which usually leads to the underestimation of the true per capita income of developing nations with respect to that of advanced nations. Since we are interested in examining the effect of globalization on growth and development, we will compare the growth of real PPP per capita incomes in various countries and regions of the world since the early 1980s, which is usually taken as of the most recent period of rapid globalization, with the two decades (1960-1980) before it. Of course, the rate of growth and development of a nation depends not only on globalization but also on many other domestic factors, such as political stability, improvements in education and labor skills, increasing the rate of investment and absorption of new technologies, reducing the rate of population growth, and so on. But globalization is certainly a crucial ingredient for growth.

For example, no one forced China to open up to the world economy, but without such an opening China would not have received the huge inflows of capital and technology that it needed, and it would not have been able to increase its exports to the rest of the world so dramatically, and thus it would not have been able to achieve its spectacular rates of growth of the past two decades. A possibly strong positive correlation between globalization and growth does not, of course, establish causality, but it would refute the assertion on the part of the anti-global groups that globalization has hampered growth and caused increased inequalities between advanced and developing countries during the past three decades.

Table 1 gives the growth of the weighted yearly average real PPP per capita income in various regions and countries of the world in the 1960-1980, 1980-2000, 2000-2010, and 2010-2015 periods. From the table we see that East Asia & Pacific, did well

Table 1
Weighted Yearly Average Real PPP per Capita Income Growth in Various Regions, 1960-1980, 1980-2000, 2000-2010, and 2010-2015

Region	1960-1980	1980-2000	2000-2010	2010-2015
East Asia & Pacific	2.9	6.1	4.6	4.8
Europe & Central	—	1.1	2.3	1.3

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Asia				
Latin America & Caribbean	3.1	0.1	3.6	2.7
Middle East & North Africa	3.2	0.2	5.3	3.3
South Asia	0.6	3.0	7.0	6.6
Sub-Saharan Africa	1.3	-0.6	6.2	4.3
Developing World	2.1	3.1	6.5	5.2
High-Income Countries	3.9	2.3	2.0	1.8

Source: World Bank (2017 and Previous Issues), *World Development Indicators*.

during the 1960-1980 period and very well since then. The former communist countries of Europe and Central Asia performed poorly during the second period (no data was available for the first period) as a result of the economic collapse associated with the fall of communism and the required economic restructuring that followed it, reasonably well during the third period, but poorly during the fourth period. Latin America did reasonably well during the first period, third and fourth periods, but per capita incomes were practically stagnant during the second period (considered the "lost" decades for growth and development) because of political and economic crises. The Middle East and North Africa did well during the first and fourth periods, very well during the third period, but badly during the second period because of political turmoil and wars. South Asia did poorly in the first period, but well in the second period, and extremely well in the third and fourth periods. Sub-Saharan Africa did not do well during the first period and actually became poorer during the second period because of political instability, wars, droughts, and the HIV virus, but it did very well in the third and fourth periods.

The developing world as a whole did reasonably well during the first period, better during the second period and very well indeed in the third and fourth periods. Overall, only South Asia grew faster than the industrialized countries and so it

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reduced inequalities vis-à-vis industrialized countries, as a group, during the 1980-2015 period. Europe and Central Asia, the Middle East and North Africa, as well as Latin America, did poorly during the second period, so that inequalities increased with respect to high-income countries, but they did better during the third and fourth periods. Sub-Saharan Africa actually became poorer in an absolute sense during the second period, and so it fell further behind advanced countries and other developing countries during the second period, it but recovered some of the lost ground in the third and fourth periods.

Table 2 shows more directly the correlation between globalization and growth. It shows that the growth of real per capita (PPP) GDP increased sharply in each decade from the 1960s to the 2000s for the developing countries that globalized (i.e., those for which the ratio of international trade and international financial flows to GDP increased) and far exceeded the average growth of rich countries and that of the non-globalizers.

Table 2
Weighted Yearly Average Real PPP Per Capita Income Growth in Rich Countries, Globalizers and Non-Globalizers, in the 1960s, 1970s, 1980s, 1990s, and 2000s

Group of Countries	1960s	1970s	1980s	1990s	2000s
Rich Countries	4.7	3.1	2.3	2.2	2.1
Globalizers	1.4	2.9	3.5	5.0	6.1
Non-Globalizers	2.4	3.3	0.8	1.4	2.3

Source: Dollar and Kraay (2001) and World Bank, *World Development Indicators* (2017 and Previous Issues).

The growth of non-globalizers increased from the decade of the 1960s period. On the other hand, the growth of non-globalizers increased from the decade of the 1960s to the decade of the 1970s, but then it declined sharply during the 1980s, was very low during the 1990s, but then it increased afterwards (and it even exceeded the growth of the rich countries in the 2000s). It seems that growth can be rapid without liberalization and globalization at the beginning of the growth process, but as the nation develops, economic efficiency associated with liberalization and globalization becomes increasingly important.

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Although there is no perfect correspondence between non-globalizers and the poorest countries in the world, most non-globalizers do include most of the poorest countries in the world. Thus, inequalities in per capita incomes and standards of living did increase between non-globalizers, on the one hand, and globalizers and the rich countries, on the other, during the 1980s and 1990s. But the reason for this increased inequality cannot be attributed to globalization, as such. Indeed, it was the globalizers that grew fastest during the 1980s and 1990s, while the non-globalizers stagnated or regressed. Thus, the only (but still serious) criticism that can be levied against globalization, as a process, is that it did not permit the poorest countries of the world to also participate in the tremendous benefits in terms of economic efficiency and growth in living standards that globalization made possible. This is a far cry, however, from globalization being itself the cause of the increased inequalities between the rich and the globalizing developing countries, on the one hand, and the poorest and non-globalizing developing nations, on the other, during the past four decades, as claimed by the opponents of globalization. During the 2000s, the non-globalizers, as a group, grew faster than the rich countries, and so they reduced relative income inequalities vis-à-vis the rich countries (but fell further behind with respect to the globalizers).

5. Globalization and Poverty.Another important question that needs to be answered is what effect globalization has had on actual world poverty at the country and at the individual levels. Depending on how we chose to measure relative poverty, however, we get dramatically different results.

One way to measure the evolution of relative poverty is to measure the change in the number of times that the income per capita in the United States exceeds the income per capita in the world's poorest country, in the 10th poorest country, or in the 20 poorest countries, as compared with the 20 richest countries in the world over time. Based on this measure, the United Nations (2008), World Bank (2000/2001), and many left-leaning intellectuals, such as Pritchett (1997) and Stiglitz (2002) have asserted that globalization caused or resulted in increased income inequalities and poverty in the poorest developing countries over the past decades.

The data presented in Table 3 can shed light on this. The second column of the table shows that the ratio of real PPP per capita income in the United States relative to the poorest country (Lesotho) was 48.3 in 1960, 47.1 (Lesotho) in 1970, 47.4 (Tanzania) in 1980, 51.6 (Tanzania) in 1990, 71.3 (Sierra Leone) in 2000, 151.7 (The Congo Democratic Republic) in 2010, and 174.4 (The Congo Democratic Republic) in 2015. Thus, according to this measure, world income inequalities have indeed increased significantly from 1970 to 2015. To avoid the problem of outliers, however, the third column of Table 3 shows that the ratio of real per capita PPP income in the United States relative to the 10th poorest country (Guinea) was 27.6 in 1960, 31.0 (Nigeria) in 1970, 31.3 (Bhutan) in 1980, 32.5 (Burundi) in 1990, 44.6 (Zambia) in 2000, 51.1

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(Guinea) in 2010, and 72.7 (Ethiopia) in 2015. Thus, again, inequalities seem to have increased from 1960 to 2015. Finally, the same general conclusion can be reached from the last column of Table 3 (except for a little dip in 1980) when inequalities, as measured as the ratio of the top 20 countries to the bottom 20 countries, declined a little.

Table 3
Ratio of Real PPP per Capita Income in Rich and Poor Countries, 1960-2015

Year	In U.S. Relative to Poorest Country	In U.S. Relative to 10th Poorest Country	In the 20 Richest Countries Relative to the 20 Poorest Countries
1960	48.3	27.6	23.0
1970	47.1	31.0	26.2
1980	47.4	31.3	25.7
1990	51.6	32.5	30.8
2000	73.3	44.6	36.3
2010	151.7	51.1	43.3
2015	174.4	62.7	46.9

Source: Bhalla (2002) and World Bank (2017 and Previous Issues), *World Development Indicatoors.*

A different and more direct method of measuring changes in poverty around the world is to measure the change in the number of poor *people*. Figure 1 gives the number of people and the proportion of the total population who lived on less than $1.90 in 2011 (PPP) prices used by the World Bank as a measure of poverty in various regions and countries of the world in 1990, 1999, 2012 (the last year for which data were available), and forecasted for 2015.

Figure 1 shows that the number of people living in extreme poverty fell from 1,959 million (37.1 percent of the world population) in 1990 to 1,752 million (29.1 percent of the world population) in 1999, and 983 million (12.7 percent of the world population in 2012 (the last year for which data were available), and it was forecasted to be 702 million (9.6 percent of world population in 2015).

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Thus, we arrive at the general conclusion that relative poverty seems to have increased around the world when measured by average national incomes across *nations*. Looking at *poor people*, however, we find that the number of people who live in extreme poverty (defined as those who live on less than $1.90 per day at 2011 PPP prices) decreased significantly over the past decades of rapid globalization.

6. Internal Income Inequalities in Advanced and Emerging Countries

Income inequalities are not only higher between developed and developing countries but are generally also higher internally (i.e., within the nation) in developing and emerging countries than in advanced countries. Internal income inequality is measured by the Gini coefficient. An index of zero means that everyone in the nation has the same income, while an index of 100 means that one individual has all the income of the nation.

Table 4 shows the Gini coefficient for the G7 countries (the United States, Japan, Germany, the United Kingdom, France, Italy, and Canada) and some of the most important emerging countries (the BRICS countries of Brazil, Russia, India, China, and South Africa, as wll as Argentina and the Philippines) in 1995 and in 2010-2015. The Table shows that in 1995 in the G7 the Gini coefficient ranged from the low of 24.9 for Japan to the high of 40.1 in the United States, and it increased for all countries except in the United States (where it remained the same from 1995 to 2010-2015). In the emerging countries listed in Table 4, the coefficient ranged from the low of 29.7 in India to the extremely high of 60.1 in Brazil and it increased in all countries except Argentina and Brazil from 1995 to 2010-2015. Thus, poverty is greater than indicated by aggregate *average income measures* in many developing countries.

Table 4

Internal Income Inequalities in the G7 and Emerging Countries in 1995 and 2010-2015

G-7 NATIONS	Gini Coefficient 1995	2010-2015	EMERGING COUNTRIES	Gini Coefficient 1995	2010-2015
Germany	28.1	30.1	India	29.7	35.2
France	32.7	33.1	Cina	41.5	42.2
Japan	24.9	32.1	Russia	31.0	41.6

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Canada	31.5	33.7	Philippines	42.9	43.0
Italy	31.2	35.2	Argentina*	52.2	42.7
U.K.	32.6	32.8	Brazil*	60.1	51.5
U.S.	40.1	41.1	South Africa	58.4	63.4

* = Decline in the Gini coefficient from 1995 to 2010-2015.
Source: United Nations (2017 and Previous Issues), *Human Development Report.*

7. The Human Development Index and World Poverty. There is, however, another method of measuring the standard of living and poverty in a nation, and that is by the Human Development Index (HDI), which is calculated annually by the United Nations. This method is a *broader* and, to some extent, a better measure of the standard of living of a nation because it takes into consideration not only the level of per capita income but also other important conditions of human wellbeing.

The overall HDI is calculated as the average of three indices, the real PPP per capita income, the life expectancy at birth, and the mean years of schooling in the nation, with the last two measures used as catch-all and proxies for all the other aspects of human wellbeing besides per capita income. The HDI shows that the difference in the standard of living between rich and poor countries is much smaller than their differences in real per capita incomes, and that this difference has declined very much during the past three decades.

The left side of Table 4 gives the HDI index for the G7 countries and Norway (the nation with the highest HDI in 1990 and 2015). From the table we see that the HDI index ranged from 0.849 in Norway to 0.758 in Italy (which ranked 26th increased for all the 188 countries for which the index was calculated) in 1990 and increased for all these countries from 1990 to 2015. For the BRICS, Argentina, Mexico and Sierra Leone (the nation with the lowest HDI), the HDI ranged from 0.705 for Argentina to 0.320 for Sierra Leone in 1990 and increased for all countries from 1990 to 2015. To be noted is that the difference in the HDI between Norway and Sierra Leone was 2.20 in 1990 and 2.35 in 2015, which is much, much smaller than the difference in per capita income between the United States and Ethiopia (the poorest countries in the world in terms of per capita income only in 2015) shown in Table 3. The same is generally true if we compared the HDI for the United States and Sierra Leone in 1990 and 2015.

Table 5 gives the HDI indices for various HDI groups of countries and regions in 1990, 2000, 2010, and 2015. From the table we see that (1) the HDI index increased for all groups of countries and regions for every decade from 1990 to 2015, (2) the

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index for the very high HDI countries, as a group, was 2.28 times higher than for the least developed nations in 1990 (which is dramatically less than the difference in per capita incomes shown in Table 3), and (3) the difference in the index of the very high HDI countries with that of the least developed was 2.03 times in 2015 (again, much less than in per capita incomes), and it declined from 1990 to 2015. Future increases in the standard of living of poor nations, however, will very likely depend even more than in the past on increases in real per capita incomes, after the basics of life have been provided (because, among other things, health and education are very costly).

Table 5
Human Development Index (HDI) for Various Groups of Nations and Regions, and Least Developed Nations, 1990, 2000, 2010, 2015

HDI GROUPS	1990	2000	2010	2015
Very High	0.791	0.836	0.876	0.892
High	0.574	0.637	0.716	0.746
Medium	0.465	0.525	0.598	0.631
Low	0.356	0.388	0.475	0.497
HDI REGIONS				
Arab States	0.556	0.611	0.672	0.687
East Asia and Pacific	0.516	0.595	0.688	0.720
Europe and Central Asia	0.652	0.667	0.732	0.756

Latin America & Caribbean	0.626	0.685	0.730	0.751
South Asia	0.438	0.502	0.583	0.621
Sub-Sahara Africa	0.399	0.421	0.497	0.523
LEAST DEVELOPED COUNTRIES	0.347	0.399	0.481	0.508
WORLD	0.597	0.641	0.696	0.717

Source: UNDP (2017 and Previous Issues), *Human Development Report*.

8. The Millennium Development Goals and Targets. In trying to overcome poverty and hunger in the world, the World Bank sponsored the Millennium Development Goals (MDG) in 2000, which was signed by 189 countries. The MDG proposed a program for rich countries to help the poorest developing countries stimulate growth, reduce poverty, and promote sustainable development. The MDG specified a set of eight objectives incorporating specific targets for reducing income poverty, tackling other sources of human deprivation, and promoting sustainable development by 2015. These are: (1) halve extreme poverty and hunger relative to 1990; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV/AIDS, malaria, and other diseases; (7) ensure environmental sustainability (such as halving the proportion of people without access to improved sources of water); and (8) establish a global partnership for development.

As shown in Table 6, some of the development goals scheduled to be reached by 2015 have been attained, others were within reach, while some were lagging. Goal 1 (halving the percentage of people living in extreme poverty and suffering hunger) was achieved (although the target of halving the proportion of people *suffering from hunger* was narrowly missed). Goal 7 of halving the proportion of people without access to improved sources of water was also achieved.

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Table 6
Millennium Development Goals Achieved by 2015

MDG 1: The number of people living on less than $1.25 a day has been reduced from 1.9 billion in 1990 to 836 million in 2015, although the target of halving the proportion of people suffering from hunger was narrowly missed.
MDG 2: Primary school enrolment figures have shown an impressive rise, but the goal of achieving universal primary education has just been missed, with the net enrolment rate increasing from 83% in 2000 to 91% this year.
MDG 3: About two-thirds of developing countries have achieved gender parity in primary education.
MDG 4: The child mortality rate has reduced by more than half over the past 25 years – falling from 90 to 43 deaths per 1,000 live births – but it has failed to meet the MDG target of a drop of two-thirds.
MDG 5: The global maternal mortality ratio has fallen by nearly half – short of the two-thirds reduction the MDGs aimed for.
MDG 6: The target of halting and beginning to reverse the spread of HIV/Aids by 2015 has not been met, although the number of new HIV infections fell by around 40% between 2000 and 2013.
MDG 7: Some 2.6 billion people have gained access to improved drinking water since 1990, so the target of halving the proportion of people without access to improved sources of water was achieved in 2010 – five years ahead of schedule. However, 663 million people across the world still do not have access to improved drinking water.
MDG 8: Between 2000 and 2014, overseas development assistance from rich nations to developing countries increased by 66% in real terms, and in 2013 reached the record figure of $134.8bn.

Source: United Nations, "Summary," *The Millennium Development Goals Report 2015;* and "What Have the Millennium Development Goals Achieved?," *The Guardian*, July 6, 2015 at https://www.theguardian.com/global-development/datablog/2015/jul/06/what-illennium-development-goals-achieved-mdgs.

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Goal 2 of achieving universal primary school education was almost achieved (with the net enrolment rate increasing from 83% to 91%). Goal 4 to cut child mortality by two-thirds was not reached (although the child mortality rate fell from 90 to 43 deaths per 1,000 live births). The same is true for Goal 5 to cut the global maternal mortality ratio. Although the number of new HIV infections fell by around 40%, Goal 6 to halt and reverse the spread of HIV/Aids by 2015 was not met. Similarly, although overseas development assistance from rich nations to developing countries increased by 66% in real terms, Goal 8 was not achieved.
To conclude, even though six of the eight millennium development goals or targets were not achieved, great progress was made in all these areas — and these are the areas crying for greater humanitarian assistance.

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9. Globalization, Poverty, and Governance. In general, globalization greatly benefited the people and the nations that globalized. Almost invariably, the nations with the largest percentage of the population living in extreme poverty, and in which poverty has fallen only a little or not at all, are the nations that did not or could not globalize. As pointed out earlier, their poverty is due primarily to internal causes (wars, internal strife, corruption, natural disasters, and HIV). What can be blamed on globalization is that it bypassed some of the poorest countries in the world and left millions of children starving and hundreds of million of people still in deep poverty.
Globalization, itself, is devoid of any ethical content. It only increases efficiency for those people and for those nations that take advantage of it. But economic efficiency cannot and should not be everything. There are important social, political, ethical, and health aspects that cannot be left exclusively to the market. The world can hardly be peaceful with millions of people still facing stark poverty, starvation, and hopelessness. But these crucial problems facing the world today would worsen rather than be solved by slowing down the process of globalization.
What is required to solve or at least greatly reduce the problem of world poverty would be to reform the entire international economic and financial system so as to spread the benefits of globalization more evenly around the world and without leaving out the poorest countries and the poorest people. This can be accomplished by canceling the international debts of the poorest countries, sharply increasing foreign aid (which is now les than 0.3% of the GDP of rich countries), and opening more widely the market of rich countries to exports from the poorest countries.
The promises made by the rich countries at the Monterrey Conference in March of 2002 to increase foreign aid by 50% and to open more widely their markets to the exports from the poorest lands were not only inadequate but have not yet been implemented. And with the deepest financial and economic crisis that the world experienced since the end of World War II in 2008 and 2009 and slower growth since then in most countries, poverty in some the poorest nations of the world temporarily reversed its downward trend. Nothing less that the complete reform of the international economic and monetary systems is required to solve the problem of poverty in the world today.
In short, the world faces a problem of governance. The poorest nations and the poorest people are simply not franchised. They still do not have much to say on matters of international economics and finance of great relevance to them. They can only appeal to the humanitarian benevolence of the rich countries. The hope is that with the expansion from the G7 to the G20 (which includes the G7 and the ten largest developing countries), the international economic system can be reformed to ensure that the poorest countries and the poorest people of the world would also benefit from globalization and that poverty would be greatly reduced. It would be truly sad if the selfishness of the G7 were to be replaced by the greed of the BRICS and G20, if the

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G20 were to pursue reforms in the management of the world economy to promote primarily their self interest and abandon the poorest countries to their destiny.

10. Conclusions. The major causes of poverty in the least-developed countries are of internal or domestic origin (wars, internal strife, corruption, natural and man-made disasters, and HIV) rather than globalization. In fact, the poorest countries are the ones that have not or could not globalize. What globalization can be accused of is for not having permitted the poorest countries to also globalize and share in the great benefits resulting from it.

The powerful force to reduce poverty in the world is economic growth and (as the *Growth Report,* 2008*)* indicates globalization and international competitiveness are essential characteristics embedded in a high-growth strategy.

Poverty and hunger in developing nations can only be reduced by rapid growth. For this to occur, however, rich countries and the large and rapidly-growing emerging countries (i.e., the G20) must increase developmental aid to the poorest countries, cancel foreign debts, open their markets more widely to the products of the poorest countries and, most importantly, change the governance of the world economy by empowering poor countries and poor people.

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