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Mind the Gap of Inequalities Between and Within Countries

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Abstract :

"Mind the gap!" is an expression meaning a visual or audible warning phrase to take caution while crossing the gap between the train door and the platform. The subject of this paper is to highlight the existing inequalities, even the case East-West, and the necessity that, by political will and concrete economic and social measures, not only by warnings, to mitigate these disparities in the benefit of the parties involved in.

This means that, through continuous political awareness of these inequalities, paying attention to this scourge of the today's world and to implement such measures in order to ensure a strategic game type win-win.

The methods used in this paper are represented by primary data collected from international reports and situations about the status of today's world countries and from national analyses published. All these data and information become base for the analyses of this issue and emergence of valuable recommendations, rather than conclusions, regarding the counterbalance East and West, apart from the famous and classic example of David Ricardo regarding the theory of the international trade between the rich and developed North and the poor and underdeveloped/developing South, in Europe and in the world.

Awareness, alertness and prompt responses to all challenges and a balanced development type win-win, here they are the keys for a modus vivendi and sustainable evolution.



Keywords: Inequality, Development, Workforce Migration, Win-Win Game.

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1. Introduction

A simple background on this topic: what is it *the economic inequality*? It refers to an unequal distribution of income and opportunities between people in society, between regions and countries. To overcome Jean-Jacques Rousseau's opinion that people are born equally and the idea that if people are born in poverty, automatically that means to stay poor forever?.

Nowadays, in the era of IT & C revolution and a higher level of understanding about what is happening, we think that by education, training policies, enhancing skills and political will, it is possible to change situation within a country or between countries in their relationships. Some authors (Peterson, 2017) consider that poverty and economic inequalities, in general, represent a disease of the modern society and there are necessary policies, measures, especially from the part of the most developed countries and international organizations to be implemented, in order to reduce inequalities and to ensure that the respective country, or group of countries "swim", not "sink". Some measures available to governments are represented by the tax and spending tools, along with progressive taxation and welfare transfers.

Analyzing the data and the realities of the last decades, we can affirm that it can be a large prosperity with lower economic inequalities. Attitudes towards tackling inequalities depend also on the people view of work and how it is valued.

2. Inequalities, as major problem of today

For the present analysis we use, predominantly, *the Report of Stiglitz-Sen-Fitoussi Commission* (2009) in understanding the main features of this issue. All discussion is around *the income*, especially household income, that has been adjusted for publicly in-kind transfers, such as public spending on education and health (in fact, part of the larger concept of "*Human Capital*"). How much people benefit basic needs (from the Maslow Pyramid of Needs) as, food, water, cloths, homes and security and the more convenient the working conditions are, higher the productivity will be and the people happier.

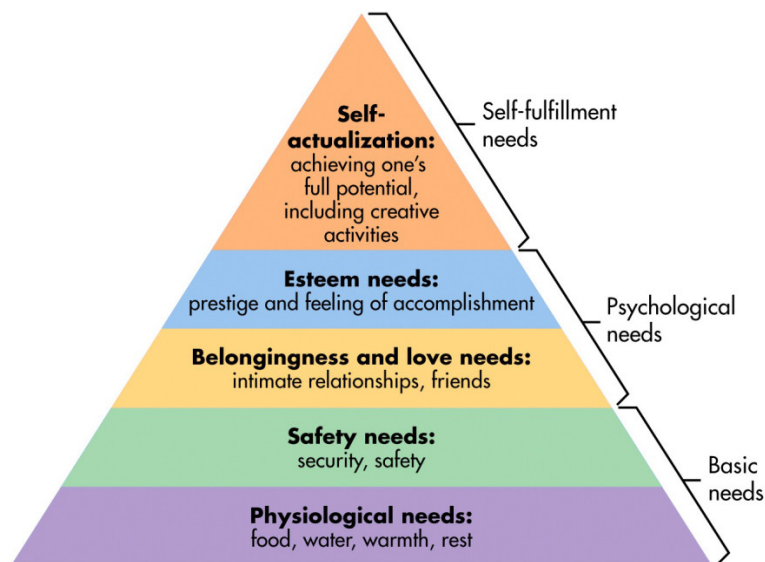


Figure 1: Maslow's Hierarchy of Needs

Source: (McLeod, S., 2020)

Analyzing the data from OECD reports (2012, 2019), we can see some situations illustrating the existence of inequalities around the world. Thus, it is a figure in the report 2012 pp 189, presenting *Country groups with similar patterns of inequality*:

- Denmark, Iceland, Norway, Sweden, Switzerland-high employment rate, little wage dispersion and taxes are not highly progressive;
- Belgium, Czech Republic, Estonia, Finland, France, Italy, Slovakia, Slovenia-little wage variation, low employment or high part-time rate, highly concentrated capital and self-employment income;
- Austria, Germany, Greece, Hungary, Japan, Korea, Luxemburg, Poland, Spain-individual labour income is concentrated (above average dispersion in wages and low employment);
- Australia, Canada, Ireland, Netherlands, New Zealand, United Kingdom-above average dispersion in wage, coupled with a high part-time rate;
- Chile, Israel, Mexico, Portugal, Turkey, United States-high concentration of labour, capital and self-employment income, plus a high rate of poverty.

From a. to e., it's a range from low inequality in household income to high inequality in household income, the basic indicator in the analysis. But, in the 2019 Report it is a more specific and qualitative approach, because a subchapter analyze *the equality opportunities* (pp 41). More

precisely, it's about structural reforms (qualitative ones) to promote growth and equality opportunities. The OECD Report advocates a large number of priorities that were likely to increase the equality of opportunities for workers, the main force of production, in any economy. Such priorities aim to providing adequate and improved skills, the quality of internal environment and possibilities to improve income mobility of workers.people. The main scope is to reduce income inequalities between advanced countries and emerging-market countries and it was observed that the gaps have narrowed and, even in domains as education, infrastructure and labour market regulation, the emerging countries were at better values from the total of 2019 priorities.

Another significant analysis for this paper is that one of the inequalities in the Middle East, considered the most unequal region of the world and their importance for the entire world existence (Assouad, 2020). In synthesis, it is considered that *the extreme inequality* in this region is due to the huge *income* differences between oil-rich and population-rich countries. Thus, the Gulf States represented only 15 % of the total population of the region in 2016, *but* received almost half of the total region income (somehow about the Pareto's Principle 20/80). I.e., a major gap between countries with enormous revenues from hydrocarbs and the other Arab countries. Also, Assouad's analysis reveals the fact the sole reliable inequality data from the region is Lebanon and, furthermore, some several countries, such as Algeria, Egypt, Iraq, Lebanon are *rentier states*, that means the income derived from "the gift of nature" (apud Beblawi, 1987).

But, this favourable trend was suddenly interrupted by the challenge and the spread out of COVID 19. As consequence, OECD unveiled the economic outlook for 2020, with a global contraction of at least 6 %, if the pandemic will remain under the control of people and authorities. Amongst OECD countries, the hardest hit will be Spain, France, Italy and UK, exactly the most affected European countries by COVID-19 and the entire recovery process is considered to be under U-shape, rather than V-shape (McCaffrey, June 2020).

This situation briefly reminds us of the David Ricardo's theory of the international trade, issued in 1817 (Bauer, 2007). Thus, Ricardo suggested that countries specialized in the production of the commodities in which they have a *comparative advantage*, are more capable to achieve higher standards of consumption and living, more revenues, by trading these goods with other countries. Also in the spirit of the present analysis, it is needed to highlight the example of China vs. USA. Although the Chinese average labor productivity is only a fraction of the American one, as we

know and see, China exports plenty of goods to the United States and has comparative advantage in producing labor intensive products, such as textiles, toys, phones and communications devices and other equipments. The recent improvements, especially regarding the structural changes in the Chinese workforce and its comparative advantage, we can find in the works of different authors, such as Jun Hou, Stephen Gelb, Linda Calabrese (2017), or Emmanuel Olusegun Stober (2014).

3. Methodology

We used primary data regarding the issue in discussion from international institutions' reports, such as OECD, UN, European Union and from national organizations. This aspect along with the overview of opinions, ideas, forecasts in this respect, allow us to draw conclusions referring to the necessity that, as much as possible, to mitigate the disparities/gaps between states and to ensure a reasonable economic game type *win-win*.

4. Exposure of the realities

Our analysis starts with the basic example of Germany, reunified on October 1st 1990, by gathering in a single unit of the former Eastern Germany (German Democratic Republic, a Communist country) and Federal Republic of Germany, one of the six constitutive pillars of the European Economic Market in 1957 at Rome. Still, the inequalities persist.

We can say that is a classic example of the economic inequalities between East and West and a partial success to balance these inequalities, of course in this example of a reunited Germany (1990). Even the former German Democratic Republic (DDR) was a leading economic country amongst countries forming the Socialist system before 1990, it was and still it is a difficult task to bring the level of development and, implicitly of living, from Eastern Germany to that one of the West Germany (called Federal Republic of Germany). Billions of euro were injected in the former East Germany, even it was considered a bet of trillion of euro from the West Germany part to keep afloat the entire German nation (Blau, 2010). But, a large amount of money went to wrong projects and more money spent to social programs and, by consequence, it is considered a loss for German economy.

This is considered the eloquent example in this respect because in the case of Europe, we can talk the entire Central and Eastern countries (former Socialist countries) joining the unique and original economic and political construction of the European Union, BUT with a severe handicap

regarding economic, social and democracy aspects. Why do the latest discussions within EU remind us of a Europe with 2 or more speeds? Exactly, because the majority Member States from Central and Eastern Europe is left behind and it is needed of a significant effort, not only financial, to bring these countries to a competitive level with the West. No national or regional economy (such European Union) can work with disparities between countries, or regions of a country. It is like a construction erected with pillars of different heights, but especially from different structures, leading to an unstable and non functional construction.

No matter the geographic position, BUT taking into account the developing level. In this tough period of pandemic with COVID-19, the international organizations and structures, such as the United Nations and the European Commission, thought and put into practice economic and social schemes and packages, in order to help/support the most vulnerable countries, or parts of countries, which need these funds most.

For example, Antonio Guterres-United Nations Secretary-General, has announced the launch of a \$2 *billion global* response to support the efforts to combat the COVID-19 pandemic, even the funding appeals totalize \$ 5 billion from aid groups. But, as the logo of this paper says: "*Mind the gap of inequalities!*"

On the other side, the European Commission recently laid out the post-pandemic supportive plan, of about 1.85 trillion euro, based both on the long-term EU budget and special recovery fund. At the same, we have to understand that a part of this amount is represented by grants and the other one by loans with reduced interest. More precisely, the recovery fund approved at the end of May is around 750 billion euro, from which, 500 billion as grants and the rest as loans (Gill & McCaffrey, 2020).

In this overview of the inequality issue, we must not forget a turning point represented by the G8 Summit in Scotland, 2005. Why? Because after this meeting it was going to write off the entire \$40 billion debt owed by 18 highly indebted poor countries to the World Bank, IMF and African Development Fund and, at the same time, it was to be granted a substantial aid especially for Africa countries, i.e. to underdeveloped and developing countries, in order to mitigate the inequalities between countries. But, no *political will* was manifested, as in many other key-moments of the recent era and the continuation of structural adjustments was considered as exceeding the benefits of debt cancellation and aid increasing measures and, as consequence, this project has failed.

Another recent example regards the convergence criteria of all EU Member States to join Euro zone as soon as possible. Few days ago, a

Report was issued and the conclusions are not favorable for some countries, especially Romania (Convergence Reports, June 2020). The economic-social disparities between the 8 development regions and, as a whole, the one of the reduced level of the development amongst the 27 EU-Member States lead to the reality that Romania does not meet none of the 4 (four) criteria of convergence to the Euro zone.

Within the connections East-West, we can present one of the winner in this pandemic period, that is a company from Malaysia, Top Glove. This is a major producer/manufacturer of personal protective equipments, with huge earnings due to the increased demands (higher than the offer) during pandemic. Accordingly to the data presented, the profit after tax increased to the level of 365 % at the end of May (McCaffrey, 2020). And the situation is valid for countries from the same area, such as Singapore, China, Korea, which were prepared to send promptly masks and other instruments and devices for the fight against COVID-19.

At last, but not at least, it is the problem of Foreign Direct Investments (FDI) from developed countries to emerging/developing countries with the awareness that the essence of FDIs is not the capital *per se*, but technologies and other tangible assets, for capitalization of the human, material and financial resources of the evolving states (see India's example in Chalapati Rao, Dhar, 2018).

The main feature of the income inequalities between East and West (even within Europe) is represented by the migration of the workforce, especially medium and high specialized from countries of Asia to Europe, from Eastern Europe to Western countries, including from Europe to US. And, conform of *the law of communicating vessels*, staff and workers shortage is covered with workers and specialists from Eastern and Southern countries.

It is an obvious movement to places better paid and with decent and high standard of live. An astonishing example is that one represented by Romania, probably "the first exporter of doctors" in the world, i.e. already trained specialists, put at work in other countries.

5. Conclusion

These ones capture the fact that, however, the inequalities/gaps between East and West are less obvious and discussed than those between North and South. We already saw examples presenting the double-way relationships between East (that is Asia) and West and these structural/commercial connections are relevant for the process of reducing disparities between East and West. BUT, it is mandatory that the financial

supports/aids to be combined with the quality and productivity of work, including the knowledge and the skills of the workforce from the less countries or regions involved in these connections. Also, along with *political will*, it is needed of drastic structural (qualitative) reforms targeting poverty and inequality amongst regions and countries and support of international/regional organizations for each and every wheel of the world functioning economy.

We are passing through a very tough and challenging period of our lives. We think that the awareness of what is really going on and repercussions, alertness and prompt responses to all challenges, along with attention to the existing disparities should not deepen, here they are the main keys for this specific period and, even, on medium-run.

But, because it's about people/workers, their economic and social status, in fact everything depends on *the political will*, in order to issueing regulations, norms, laws to ensure a reasonable equity within societies and economies and between countries, in a manner of win-win game, but far from being equal for all parts involved in.

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