

What Causes Inequality? Research notes example

1. Jared Diamond's Guns, Germs and Steel Thesis

2. Colonization ('Burning Books')

3. Globalization (video 'Life and Debt')

- a) **Free trade between countries that do not have equal levels of economic power** (i.e. some countries can produce better and cheaper products and these will be bought while the weaker country's products will not be). Example - USA trading with Jamaica. Absolute economic advantage. As a historical note, the US did not like free trade for this very reason with Britain in the late 1700s because of Britain's economic strength.

Those who used to make a given product in the weaker country can now not do so. They are put out of business. This can increase inequality because the wealthy country will become wealthier and the weaker country's producers will become poorer. (example - Jamaican farmers)

- b) **Free trade rules** are at times created for the benefit of countries with significant economic and political power (often benefiting wealthy companies in wealthy countries). This will result in the strong countries (and in particular their companies) continuing to gain wealth while impoverishing sectors of the poor countries. Example - The US subsidizes its agricultural producers but will not allow Jamaica to do the same. This puts Jamaican farmers at an even bigger disadvantage.

- c) **Outsourcing.** Companies shift production to low-wage countries. Companies increase profits but workers are paid less than before. This increases inequality.

- d) Countries set up '**free trade zones**' in their countries to attract companies. These companies pay little or no tax and face few labour regulations. This makes outsourcing an even worse strategy for workers and further increases inequality.

4. Automation

- a) many jobs are becoming automated to save money, improve efficiency and enable better control over the production process (workers sometimes strike or work slowly in protest). Examples include Foxconn and another company in China which automated 90% of its work. <http://www.bbc.com/news/technology-36376966>

- b) This is spreading to middle income jobs (journalism, lawyers, doctors, etc.). <http://www.cnbc.com/2017/02/17/lawyers-could-be-replaced-by-artificial-intelligence.html>
- c) Automated cars are projected to erase many, many jobs. <https://www.ft.com/content/2d70469c-140a-11e7-b0c1-37e417ee6c76>
- d) In the past, many other jobs were created when new technology destroyed some jobs, but, if robots can create other robots and can do jobs which require complicated thinking, this trend might be at an end (see the paper by Oxford researchers or the article on the robot that won at 'Go' against the world champion). https://www.nytimes.com/2017/05/25/business/google-alphago-defeats-go-ke-jie-again.html?_r=0

5. The Rise of precarious work