# The Neglected Class in the Developed Countries - Inequality in Economic Globalization

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**Abstract.** In the modern world, economic globalization has a big influence on the environment, economy, and society at large. Although it has significantly increased global development and decreased worldwide inequality, it has also presented serious difficulties, mainly with regard to the uneven distribution of income and advantages among people in developed countries. This article investigates the extent to which economic globalization affects local stability and political shifts in the United States, focusing on the disappearance of middle-skill jobs, the rise of populism, and the fallen of the American dream. The study employs a comprehensive literature review of existing research, theoretical frameworks, and empirical studies to navigate the complexity of the topic. Economic globalization has exacerbated income inequality, particularly in the United States, leading to the disappearance of middle-skill jobs, industrial sector decline, job outsourcing, and wage disparities. The belief that economic globalization denies people economic opportunities and exacerbates inequality is a contributory factor to the rise of populism in the nation. While economic globalization has increased average incomes worldwide, it has also widened the gap between rich and poor within developed countries. Governments should focus on equitable distribution of benefits, invest in education and social reforms, and enhance communities' ability to adapt to globalization, ultimately striving for fair and stable societies that align with the goals of global prosperity.

**Keywords:** Economy, Economic Globalization, International Relations, Inequality, Populism.

## 1. Introduction

Economic globalization is one of the dominant forces in the contemporary world that is shaping societies, economics, and the environment globally. Many Countries open up their borders to increase their international trade and investment in order to benefit from this "win-win" sustainable development. According to the United Nations, globalization has contributed to "an increase in gross world product from $50 trillion in 2000 to $75 trillion in 2016." [1]. This initiated a fast global development that benefited the majority of the population.

Even though globalization brought tremendous global development and decreased global inequality, globalization still poses significant challenges especially when it is followed by an uneven distribution of benefits and wealth among the population in developed countries [2]. The global inequality has decreased mainly due to developing countries like China growing so fast, but individual countries' local inequality is still on the rise. Just as an aphorism attributed to Percy Bysshe Shelley - 'the rich get richer, and the poor get poorer'. As the wealth gap widens among the population, the inequality expands further in many aspects like education, income, health care, and opportunities. Society nowadays negatively responds to globalization with constant protests and riots to demand change, such as the Occupy Wall Street in 2011, The Fight for $15 in 2010, and the rise of populism among Western societies.

This global phenomenon leads to the main research question of this essay: To what extent does the economics of globalization affect the local stability and political shift in the United States? This essay will focus on the evaporation of middle-skilled jobs, the rise of populism, and protests in order to answer this research question and to navigate the complexities of this topic by applying a literature review on existing research, theoretical frameworks, and empirical studies.

## 2. Background and Literature Review

The Industrial Revolution initiated the accelerations in globalization processes back in the 19th century due to innovations in transportation such as railroads and shipment. Additionally, the establishment of international institutions like the World Bank and the International Monetary Fund allows countries and corporations to take additional steps toward an open world. The past decades have witnessed the rapid rise of multinational corporations, advancement of digital technology, robotic automation, and liberation of trading policies further boosting the global economy and linking all nations together. The United States being the proponent and leader of free markets has advocated for and shaped global economic policies. Seemingly this 'win-win' economic globalization can bring prosperity to all countries and individuals in the world since people are living in a more developed and advanced world compared to decades ago. Ironically, the statistics and evidence demonstrate that developed countries like the United States are facing significant challenges to local economic development.

The Elephant chart, or the Lakner-Milanovic graph, published in 2013 illustrated the change in global income growth between 1988 to 2008 [3], this graph is famously known for its shape, which looks like an elephant with a raised trunk. Within the 20 years of global development progress, the advancement is hugely in favor of "Resurgent Asia" [4] and the top 1% of the wealthy people. Other groups have also experienced rising incomes to an extent, except for the group of people at the low part of the trunk. That dip at the beginning of the elephant's trunk represents the lower and middle class in developed countries, where there's been negligible income growth for the past decades. This group of people at the lowest part of the curve did not receive any benefit or positive changes to their income, living environment, or quality of life. Huge amounts of people in developed countries have been neglected in the wave of economic globalization.

Furthermore, the Gini coefficient index, a measurement of income inequality, truly presents the unfairness people are experiencing in the United States. With a Gini index of "0" representing absolute equality and "1" implying absolute inequality, the United States is 0.49 in 2021 compared to 0.43 in 1990 [5], ranking the highest inequality in G-7 countries [6] and the number is still on the rise [7]. In 2021, the wealth of the richest 1% of the U.S. population totaled $45.9 trillion, a figure that exceeds the total wealth of the bottom 90% of Americans [8], meanwhile, more than 37.9 million people are living below the poverty line in the United States [9]. The unemployment rate is 3.8 percent [10] in 2023 with 36.8 percent of people only acquiring a high school or lower degree as their highest education completion [11].

As Neckerman mentioned in her article, "Social inequality will reinforce privilege among the affluent and disadvantage among the poor, reinforcing economic inequality in the next generation." [12]. Inequality is a vicious cycle of poverty trap that will affect present and future generations. Globalization can be seen as the disruption of local community and the degradation of infrastructure [13].

## 3. The Neglected Majority and the Evaporation of "Middle-Skilled Job"

The United States has experienced a dichotomous relationship with globalization as it widening economic disparities and generated complex challenges for the 'neglected majority' of Americans, such as the disappearance of middle-skill jobs, decline in industrial sectors, job displacements, wages, lack of education, and health care.

Globalization has altered trade relations among different countries by changing the structure of international trade with the advancement of technology. The effectiveness of transportation and mechanisms nowadays enabled corporations to seek cheaper and faster alternative ways to produce the same product [14]. Such as offshoring of factories and manufacturing jobs to cheap labor countries and outsourcing. Many well-known American multinational companies like Apple, Nike, and Walmart have their goods manufactured overseas [15]. This has impacted the local economic and social landscape because it raised an increase in demand for higher-skilled labor and decreased

demand for unskilled labor in the United States. However, in 2021, only 37.9% of the population in the United States had a bachelor's degree or above [16]. It is extremely difficult for the majority of lower-skilled people to gain the experience and knowledge that matches the needs of high-end companies. Deloitte has reported that by only looking at the manufacturing sector it will leave an estimated 2.4 million unfilled high-skilled positions in the United States by 2028 [17]. Moreover, Christopher mentioned that the future job loss in white-collar professions may be more significant than in the manufacturing sectors [18].

This polarizing in opportunities and wages generated a huge gap that segregated the labor market, many people have lost their jobs or faced downward pressure on their wages, while high-skill workers benefit from the opportunities [19]. This caused an increase in the inequality of the local labor force in the United States but left no solutions to conquer this problem.

Nonetheless, the Coronavirus (Covid-19) in 2019, has exposed the risks and drawbacks associated with the globalization of the U.S. economy, such as dependence on global supply chains, inadequacy of the domestic healthcare system, and neglect of socially disadvantaged groups [20]. The COVID-19 epidemic has exacerbated inequalities and divisions in American society, such as differences in impacts on and responses to different classes and groups, opposing trust and skepticism in government and science, and trade-offs and conflicts between anti-epidemic measures and individual freedoms. Also, the presidential election reflected the different attitudes and choices of Americans towards the globalization of the United States economy, such as support for or opposition to free trade, support for or opposition to immigration, and support for or opposition to multilateral cooperation. Instead of benefiting from globalization, many people feel threatened by the loss of jobs and dissatisfied with their economic position. This massive inequality and insecurity among a huge population may explain the attraction of populism in political shifts in the United States.

## 4. The Rise of Populism

The origin of populism can be traced back to the late 19th century, and the populist party is claimed to be speaking for the will of the common people like farmers and workers. Their collective target was the elites and bankers similar to the top 1% today because the main idea is that the people who work the land should have a greater share of wealth. In the contemporary world, the advance of globalization has further widened the gap between the rich and the poor and has not created a stable society for development that is shared by all classes which has fueled populism across the Western world [21]. The correlation between the basic needs of society and political attitudes is closely associated, especially among those at the bottom of the social ladder, the lower and middle classes, who are significantly more worried about their jobs and living conditions than the upper class. Survival and economic issues are the fundamental problems of this era.

Indeed, the economic recession and stagnant growth triggered by the financial crisis of 2008 have reoriented the value priorities of people in Western societies towards materialistic values characterized by economic and physical security. While social democratic parties and the left are the voices of the working, middle, and lower class, the traditional identity of the left has been seriously alienated under the impact of the financial crisis. The traditional political structure and governance capacity have made it impossible to provide a comprehensive solution to the accumulated social problems. The difficulty of forging social consensus is exacerbated by the social divisions resulting from electoral politics.

In the United States nowadays, the majority of supporters who vote for extreme right-wing populist parties and figures belong to the lower and middle classes. Hillary became the voice of the elite and the privileged, while Trump, the Republican Party's traditional voice for the rich, became the voice of labor.

Former President Donald Trump is one of the vigorous populists that made a populist appeal to the economic and social insecurity, claiming to be the 'man of the people'. His slogan of "Make America Great Again" (MAGA) sought to go against anything that damaged the United States and

bring prosperity to all common people [22]. Precisely, to directly react to an earlier economic revolution – globalization, targeting income inequality, and class conflicts, and bringing jobs back to the United States, which is exactly what the majority of people need in political reforms during this period of time. Trump portrays the political opponents and media as the elites and continues to build tension between the rich and the poor.

In the article 'Populism and Trade' by Kent Jones mentioned "At the heart of any political order is a sense of common destiny: a sense of shared community" [23]. If people cannot rely on or find answers from the system, people will try to break the system and build one they all believe in. In the article "This is the Most Dangerous Time for our Planet" famous theoretical physicist Stephen Hawking mentioned: "Whatever we might think about the decision by the British electorate to reject membership of the European Union and by the American public to embrace Donald Trump as their next president, there is no doubt in the minds of commentators that this was a cry of anger by people who felt they had been abandoned by their leaders" [24]. These forgotten people have rejected the advice and guidance of all experts and elites, where they want to talk back the control and secure their future by themselves. According to "2022 Number of Significant Antigovernment Protests Motivated by Economic Issues", there are a total of 58 protests in 2022 around the globe compared to 16 in 2021 [25]. The Capitol Building attack in the United States is a riot that the people want to fight for their ideal government.

## 5. The Fallen of the American Dream

United States of America is often associated with the phrase 'the land of opportunity'. In 1931, American historian James Truslow Adams coined the term "American Dream" in his book "The Epic of America", defined as "The American Dream is that dream of a land in which life should be better and richer and fuller for everyone, with opportunity for each according to ability or achievement." [26]. The American Dream has gone through various stages and changes throughout history. For example, in the 19th century, during the westward movement, the American Dream was the desire for land and wealth [27]. In the industrialization and urbanization of the 20th century, the American Dream was the pursuit of social status and consumerism [28]. In the informatization and globalization of the 21st century, the American dream is a focus on knowledge and innovation. Notwithstanding, this ideology has become increasingly unattainable in today's American society, especially for those at the bottom of the social ladder. The widening gap between the rich and poor has become even more pronounced in the COVID-19 epidemic and the presidential election of 2020, The escalation of social discontent and tensions has led to several cases of social disorder, sparking resentment and anger among many Americans.

One of the most extreme manifestations of this was the Congressional Riots that occurred in Washington, D.C. on January 6, 2021. It was when thousands of Americans gathered on Capitol Hill in Washington and forced their way into the Capitol building. This riot resulted in the deaths of five people and injured about 140 law enforcement officers. As a result, the incident reflected the deep-seated divisions and tensions in American society. One factor that played a significant role in the events of 6 January was the belief of a large number of participants that globalization, caused by the government, was the reason for their being deprived of economic opportunities. Consequently, this faith made them disbelieve in the overall system, and were willing to believe that the government had been hijacked by the forces of evil that were attempting to devastate this country [29]. Therefore, it is now the case that the government is the source of the problem and should be seen as the enemy [30]. They see the Congressional Riots as a righteous and heroic act that can save the American Dream and American democracy.

This incident truly reflects the mentality and aspirations of the neglected group of people in the United States toward the American dream. On the one hand, these people have a deep desire and pursuit of the American dream, and they hope that through hard work and participation in politics, they can improve their lives and social status and realize their goals and happiness [31]. They see

Trump's "MAGA" as their advocate and protector, able to provide them with more opportunity and fairness and to uphold their interests and dignity [32]. On the other hand, these people also have a deep sense of disappointment and skepticism about the American Dream, and they feel marginalized and forgotten by the globalization of the U.S. economy and the diversification of U.S. society and are unable to enjoy the opportunities and happiness promised by the American Dream [33].

There is a profound contradiction between the globalization of the United States economy and the American dream. The globalization of the United States economy provides more possibilities and opportunities for the realization of the American dream so that more people can participate in the global market and society and achieve their goals and happiness [34]. Yet, on the other hand, the globalization of the U.S. economy has also brought more difficulties and obstacles to the realization of the American dream, which has caused more people to lose their jobs and incomes and fall into poverty and despair.

However, we must note that, while economic factors may influence social unrest to some extent, these are not the sole causes. Political, social, and cultural factors also play an important role. Overall, economic globalization and the gap between rich and poor may exacerbate social tensions and unrest, yet one cannot ignore other complex factors. Additionally, others include economic recession, growing inequality, corruption, political oppression, and failures in infrastructure and social services, etc [35]. These factors have led to an upsurge of anger in the United States because of the sensation of injustice generated in the socio-economic sectors affected by these elements. Thereby leading to a loss of trust in people, and thus a loss of stability, triggering a succession of riots. In the case of the events on 6 January, the loss of confidence in the Government of the United States of America was due to the economic inequalities resulting from globalization and the related social impacts. Tackling these issues requires a comprehensive and in-depth understanding of and response to the challenges.

## 6. Conclusion

Globalization is not entirely a 'win-win' situation for developed countries like the United States, because it may cause the widening of the gap between the rich and the poor, and affect social stability and political shifts, including the possibility of triggering protests and riots. Nevertheless, this article barely emphasizes all aspects of inequality that are generated but already have such tremendous impact on society. Further aspects and topics need to be studied to generate a bigger picture to fully understand how economic globalization affects the middle and lower classes in developed countries, including inequality in gender, race, politics, health, etc. The development and wages of the middle and lower classes in developed countries have barely changed for the past decades, these unfairness and inequality make the majority challenge the government and demand political changes. Wanting more jobs, more opportunities, more money for all labor force.

Even though there are devastating negative impacts to these countries and lead to an escalation of social discontent and tensions, it is not right to try to stop globalization entirely as globalization certainly does increase average income in all countries. Admittedly, globalization grows the pie where in theory everyone can have a slice. However, governments have not done a good job of spreading the benefits evenly among the population. It is important for governments to seek alternatives ways like education and social reforms that can help the majority to match international opportunities in the world. Ensuring that the benefits are equally distributed, and the communities are empowered to adapt the globalization, bringing fairness and a stable society for every individual in the country. By aiming the common goal of global prosperity will eventually match the ultimate purpose of globalization.

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