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The Impact of Globalization on Income Distribution of Oil and Non-oil Developing Countries

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Abstract: The effect of globalization on income distribution is one of the most controversial issues among the pros and cons of globalization and there is the growing amount of research has been done in this respect in the world. Therefore, considering the importance of this issue, this paper attempts to examine the impact of globalization on income distribution using data from a panel of 119 developing countries in both oil and non-oil developing countries over the period 2000-2013 based the generalized method of moments (GMM) to test the empirical literature on the subject. Trade openness index as an indicator of globalization and the Gini index of income distribution used in this study. In this study, the variables of economic growth, democracy, inflation, unemployment, Education and Population growth rate are used as control variables in the model. The results of this study show that globalization has indirect relation with income inequality in oil countries and its increase improves income distribution. While trade openness increase the income inequality in non-oil countries.

Keywords: Globalization, Income Distribution, Trade Liberalization, GMM.

Introduction

Globalization is a complex and multi-dimensional set of processes that numerous fields including economy, ideology, politics, culture and environment included. The logic of globalization is essentially a process of capital accumulation is rooted in the logic of capitalism and the expansion of the global economy is at the forefront of the process (Gills, 2002). Take another strategy of globalization can discover opportunities in different parts of the world and use them to optimize the activities of an institution considered (Pearce & other, 2011). The phenomenon of globalization is one of the most controversial topics in the social sciences. Many arguments have been made about this phenomenon, yet comprehensive definition that includes all aspects of it, there is still ambiguity about its definition is shown. Some writers, stage of capitalist globalization or new modernity read and some have introduced it as a way of thinking (Behkish, 2001). The study is intended to present the concept of globalization,

The effects of globalization on income distribution of selected developing countries in both oil and non-oil countries should be looked at. For this purpose, the definition of globalization, select appropriate indicators to assess the economy and how it affected the distribution of income has been stated theoretical foundations. Finally, the pattern of income distribution due to other factors that influence it has to offer and is estimated using GMM.

Theoretical

The consequences of globalization, economic liberalization that according to the initial conditions of each country, including the inventory of production factors, institutions and policies will have different effects on income distribution (Milanovic,2003). The "Hlamynt" theory of international trade is divided into three categories: The first is the opening of the markets means that industrial and agricultural sectors of developing countries have not been fully used and optimized, after the expansion of trade relations with these countries will be able to increase production and create a surplus production and to export the surplus. Economic globalization leads to unused resources (unemployed) labor and land used to produce the goods surplus and the surplus issue. The second approach is to trade in the sectors mentioned increase production capacity without reducing the surplus goods produced for domestic consumption and export sectors of the economy. By entering the required goods and other products before exporting the surplus generated. This is the theory of absolute advantage "Adam Smith" is actually the second approach to the development and expansion of the division of labor market by improving the technology and expertise in the production of market imperfections cause the problem to be solved. The third approach is the dynamic efficiency through the development of trade and market division of labor makes greater use of existing capacity and machinery and innovation in production and labor productivity increases and the total trade of those countries allows the development of the economic benefit of increasing returns (Stiglitz, 2006). Hecksher model - Ahlin as the standard model of international trade with the assumption of perfect competition in the market of production factors, fundamental and decisive factor in the country's comparative advantage relative abundance of factors of production (land, natural resources, labor and capital) knows. According to this theory, developed countries in their trade with developing countries rely on goods and services, capital and skilled labor issue and the goods and services based on low-skilled labor into it.

Of globalization and income distribution: Although fever is the liberalization and globalization of the entire world. But still many uncertainties about the nature of the definition, history and consequences of globalization, and every day saw the publication of books and articles and are giving lectures and seminars in this regard, In some fanatics of this process based on desired outcomes and positive developing countries called for the world to join as soon as possible, He was skeptical about the open borders of any national economy to the global economy and joins the global wave led to the loss of valuable opportunities and costs and losses considered irrecoverable. In their view reform as the release of waters by reducing rents, increasing competition, efficiency, creating great opportunities for exports and growth faced by developing countries leading to convergence in incomes and living standards in rich and poor countries and in this way we can present a major problem that is wide and deep poverty reduction in countries that inhibited. They also claim that the distributive effects of these measures is neutral (and in some areas with surplus labor are educated, positive distributional effects) the income inequality remained stable in the long run because no strong relationship between growth and inequality is not true, the best way to reduce poverty through growth-oriented policies rather than distributive policies (Cornia; Ibid). Despite these developments and globalization fever running high, many concerns about the consequences of this process, such as the effects on social welfare, including their impact on employment, poverty, inequality and the quality of life for most people there and it seems that the statistical data related to the growth and inequality are not so optimistic, in fact empirical evidence show that in many countries, the past two decades has led to slower growth and higher inequality. Global economic growth rate compared to the golden age of capitalism (1950 - 1973) in which the 5 per cent growth rate, decreased. Growth rate and only a few countries in East Asia have been converging with per capita income growth rates for industrialized countries to experience. But in most developing countries and economies in transition income gap between east and west in the late 1990s North-SE deeper than the 1980s or 1960s. This divergence growing inequality within countries has been rising. Many regional and national studies show that during the past 15 to 20 years in many countries of Latin America, Eastern Europe and countries of the former Soviet Union, China and some African countries and South-East Asia and in the early 1980s, almost two-thirds Countries OECD - income concentration has increased(Ibid;P.2). The recent move towards liberalization and globalization is often associated increase in inequality although a few countries such as the free movement of some East Asian countries with stable or declining trends in income distribution have been (OECD. 2005).

The importance of the income distribution: An important reason for dealing with the effects of liberalization on income distribution there. Income distribution is important in itself because human well-being depends on the relative income and on the other hand, income distribution and poverty on social and political issues such as stability and growth has a direct impact. The evidence that more equal income distribution is associated with higher rates of economic growth. In view of the extent and prevalence of poverty is more important than the welfare might be argued that the reduction of the income distribution, especially in poor countries. But the impact of the income distribution aspect is important because changes in the economic growth and income distribution, poverty level of the community .Very unequal income distribution in a country can produce brilliant achievements in economic growth and increased prosperity not only to affluent society meanwhile, the widespread poverty will increase along with economic growth. There is a consensus among theorists of the origin of all disorder developed in a manufacturing problem of poverty and inequality. Therefore, every crisis that the population in these countries caused the crisis the crisis of all crises amorphousness and uneven, and the other side is somehow rooted in poverty and inequality, poverty and inequality. In other words, the most important factor of underdevelopment.

Procedures GMM (gmm): The equations that estimate the invisible effects of country-specific and dependent variable lag in the explanatory variables is a fundamental problem of generalized torque estimator (gmm), Based on dynamic models used panel. With this method it is necessary to model the instrumental variables used in the model are specified. Gmm estimator adapted to the validity of the assumption of no serial correlation error terms and tools that can test depends stipulated by, Arellano and Bond (1991) tested. Sargan test of limitations is predetermined validity of the test instruments. Failure to reject the null hypothesis if there is no evidence of serial correlation test and provides a valid tool. Previously mentioned, the estimation model based on GMM estimators dynamic (GMM), which has been extracted empirical framework of the model used by Baltagi (2005), which can then be defined as follows:

$$Y_{it} = \alpha + \beta Y_{it-1} + \gamma x_{it} + \eta_i + \varepsilon_{it}$$

So that, intercept and, dependent variable and the dependent variable with a time lag. It also includes the following independent variables were instrumental variables are used and, particularly individual effect is independent of time that corresponds to each of the countries and, as a mistake.

Materials and Methods

Estimate the pattern of income distribution

In order to evaluate the impact of globalization on income distribution of the ratio of trade to GDP, trade openness index is defined as use, the main advantage of the simplicity of its calculation and the index of the data from different countries to calculate the cross-country studies. The Gini coefficient measures income distribution clearly shows that changes in income distribution. In addition, due to greater access to the data on the Gini coefficient of this index is used. According to the literature on the factors affecting income distribution in the countries as well as Iran variables gross domestic product growth, democracy, inflation, unemployment and the trade openness index, population rate of foreign direct investment. However, this relationship can be based on variables in a model that was discussed, asserted, so that:

(2)

$$GINI_{it} = \gamma GINI_{it-1} + \beta_1 FDI_{it} + \beta_2 DGP_{it}$$
$$+\beta_3 INF_{it} + \beta_4 UEM_{it} + \beta_5 DEMO_{it} + \beta_6 PGR + \beta_7 EDU + \varepsilon_{it}$$ Where in:

Variables Gini coefficient country i at time t, which in this study is used as an indicator of income distribution.

FDI_{it} Foreign direct investment

GDP_{it} Variables GDP growth of the country i at time t

INF_{it} Variable inflation country i at time t

UEM_{it} Variables unemployment rate country i at time t

$DEMO_{it}$ Variables democracy for the country i in year t

PGR Population growth rate

EDU Education

ε_{it} Disturbing element

All of these variables are taken from the World Bank. In this model lags the income distribution for the independent variable appears on the right side. This entire model is parameterized in this way to remove the bias of dynamic panel data lags arises. A better understanding of the sources and usage data dynamically by the researcher. Many economic relations are dynamic in nature and one of the advantages of panel data is that it allows researchers to better understand the dynamics of adjustment. This dynamic relationship with the lagged dependent variable among the explanatory variables is determined (Arellano and Bond, 1991). In this study, 119 oil and non-oil developing countries are divided into two groups for each group separately for the period 2014 to 2000 model estimates and the results are presented. Importantly, cultural, social and religious in this country, that makes a difference in these countries. Selected countries in this study include: Afghanistan, Albania, Angola, Argentina, Armenia, Starya, Azerbaijan, Bangladesh, Belarus, Republic of Domenikin, Algeria, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Brrzyl, Bulgaria, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Côte d'Ivoire, Croatia, Zambia, Czech Republic, Ecuador, Egypt, Alsavadvr, Estonia, Ethiopia, Gabon, Gambia, Georgia, Ghana, Gvtmala, Guinea, Guinea-Bissau, Haiti, Honduras, Hong Kong, Hungary, India, Indonesia, Iran, Jamaica, Jordan, Kazakhstan, Kenya, Zimbabwe, South Korea, Kuwait, Kyrgyz Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, Madagascar, Malawi, Malaysia, Mali, Mauritania, Mauritius, Mexico, Mldvva, Mongolia, Mozambique, Myanmar, Namyya, Nepal, New Zealand, Nicaragua, Niger, Nigeria, Andorra, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Qatar, Rwanda, Saudi Arabia, Senegal, Serbia, Sierra Leone, Singapore, Slovakia, Slovenia, South Africa, Sri Lanka, Sudan, Syria, Tajikistan, Tanzania, Thailand, Togo, Trynydv Tobago, Tunisia, Turkey, Turkmenistan, Uganda , Ukraine, United Arabic Emirates, the Kingdom of the Congo, Uruguay, Uzbekistan, Venezuela, Vietnam, Yemen.

Results

The analysis of experimental results

According to the model, in this study to analyze the impact of globalization on income distribution among 61 countries developing 58 oil and non-oil developing countries will be discussed. Here the impact of globalization on the Gini coefficient openness as variable as the variable distribution of income as a result of cross-considered and assessed. The results of the estimates in Table (1) and (2) presented. The results of the estimates in Table (1) and (2) presented.

Table 1. The results of the surface pattern of income distribution in developing countries oil as gmm.

Variable	Coefficient	Std. Error	t-Statistic	Prob
$GINI_{it-1}$	0.5987	0.03467	14.61652	0.000
FDI_{it}	-0.0038	0.002423	-1.6893	0.0709
GDP_{it}	0.001937	0.0007	2.3060	0.0144
INF_{it}	-0.0142	0.004612	-2.81667	0.005
UEM_{it}	-0.026152	0.01731	-1.2668	0.184
$DEMO_{it}$	-0.07348	0.01070	-8.16987	0.000
PGR	0.014931	0.0017	1.9844	0.000
EDU	-0.002866	0.002211	-1.8464	0.000
Effects Specification				
0.114361	Mean dependent var	1.4224	S.D. dependent var	
0.720665	S.E. of regression	1865.549	Sum squared resid	
44.56738	J-statistic	54	Instrument rank	
The statistic of Identification Test				
0.3877	Sargan			

The basis of the findings of the study

Table 2. Results of Bravrdalgv surface of the non-oil developing countries, oil revenue distribution by GMM.

Variable	Coefficient	Std. Error	t-Statistic	Prob
$GINI_{it-1}$	0.6073	0.024316	22.5101	0.000
FDI_{it}	0.0178	0.00107	8.5478	0.000
GDP_{it}	-0.00152	0.00052	-2.18942	0.0016
INF_{it}	0.02612	0.00818	-2.81504	0.0102
UEM_{it}	0.2145	0.01538	15.5562	0.000
$DEMO_{it}$	-0.00162	0.00036	-12.4612	0.000

Variable	Coefficient	Std. Error	t-Statistic	Prob
PGR	0.0145	0.00216	7.0486	0.000
EDU	-0.00281	0.00064	-2.594	0.000
Effects Specification				
0.07602 Mean dependent var			1.236	S.D. dependent var
1.5011 S.E. of regression			2019.235	Sum squared resid
46.9829 J-statistic			53.000	Instrument rank
The statistic of Identification Test				
0.4285			Sargan	

Source: Findings

It should be noted that the test of Sargan of predetermined constraints and to determine any correlation between the instruments and the error is used. For this to be valid there must be a correlation between the instruments and the error terms. For this test the null hypothesis that the instruments are valid to the extent that they are not associated with errors in the first-order differential equation. Failure to reject the null hypothesis could provide evidence of the tool.

The Sargan test the null hypothesis in the top results for developing countries oil Sargan test the 3877.0 and for non-oil developing countries the test of Sargan 4285.0 estimates (The instruments used are not correlated with hysteresis) so it cannot be ruled out and therefore we can say that instrumental variables used in this model are appropriate. Here is a set of explanatory variables that can come as a control variable lags Gini coefficient, foreign direct investment, GDP growth, inflation, unemployment, democracy, population growth and Training. Named variables are variables affecting income distribution studies have been done on the basis of pre-selected in this study have been used according to the results table as expected, both oil and non-oil countries the Gini coefficient variable with a significant lag, the result of the dynamics of income distribution over time, So that income inequality in the current period to the next period will be extended. Foreign direct investment in oil producing countries at a significance level of 94 percent is negative and significant effect on the Gini coefficient, So that an increase in foreign investment leads to 85.3 per cent reduction in the Gini coefficient, while one percent increase in foreign investment in non-oil countries to increase the Gini coefficient to measure income inequality has increased 78.1 percent in other words. Estimates show that foreign direct investment in non-oil countries did not in oil-producing countries have a greater effect. GDP growth in oil-exporting countries and significant positive effect on the Gini coefficient has, So that a variable percentage point increase in GDP growth, at constant conditions, the Gini coefficient of about 193.0 percent. This means that worsen income distribution in the countries investigated while growth in non-oil GDP reduced the Gini coefficient and improve income distribution so that a percentage point increase in the Gini coefficient reduce the size of the commercial release 152.0 percent. In oil producing countries and significant negative effect of inflation on the Gini coefficient, so that one percent inflation reduces the value of the Gini coefficient is 43.1 percent and it is inferred that income inequality is reduced. And the positive impact and significant inflation in the non-oil countries analyzed the Gini coefficient so that a percentage point increase in inflation due to an increase in the Gini coefficient to measure 61.2 per cent. The unemployment rate has no significant effect on the Gini coefficient in oil-producing countries, while in the non-oil countries a percentage point increase in the unemployment rate at around 61.2% increase variable Gini coefficient of income inequality has increased. The Gini coefficient is negative and significant effect on the variable democracy in the oil-exporting countries and in the non-oil countries, according to results of a percentage point increase in the Gini coefficient to measure democracy decreased 35.7 percent in oil-producing countries and 162.0 percent The Gini coefficient is in the non-oil countries, Which can be removed to improve the distribution of income is increasing democracy in both countries is examined. The difference is that the effect of the oil-producing countries has been greater than in non-oil countries. Significant negative impact on the Gini coefficient of education variable in developing countries in the oil and non-oil developing countries so that a 29% increase in oil countries / 0 and in the non-oil countries income distribution has improved 28.0. In developing countries, in other words to increase the literacy level of income inequality will decrease. Population growth, increased unemployment, particularly among young people and reduce the wage inequality in the oil-producing countries as well as non-oil countries. One percent increase in oil income distribution in developing countries 49/1 and 46/1 non-oil developing countries increases.

Discussion and Conclusion

In this study, the effects of globalization on income distribution both oil and non-oil developing countries using panel data set based on the Tym moments (gmm) in the period 2000-2013 has been estimated. Variable freedom of trade and the Gini coefficient, respectively, as alternative indicators of globalization and income distribution is shown that openness to foreign direct investment in oil producing countries to improve the distribution of income and while the non-oil countries, income inequality has increased. One of the major economic issues currently in developing countries that are faced with the globalization of how the economy affects them. In particular, the effects of globalization on income distribution in all participating countries how. In theory, globalization has reduced and income inequality is worsening. Oil in developing countries, according to the results we can say that the increase in commercial transactions with the outside world can lead to the improvement of income distribution in these countries, while in the non-oil developing countries do not The result indicates that the non-oil developing countries according to their current economic structure should not only focus on their commercial freedom. Which in turn leads to an increase in income inequality in these countries, and should focus on reducing both GDP growth and inflation that the improvement of income distribution in these countries. The results of this study examined two groups of countries democracy is variable and will have the same results it has led to improved income distribution in them. Significant negative impact on the Gini coefficient of education variable in developing countries for oil and non-oil developing countries. Population growth increases inequality in the distribution of the oil-producing countries as well as non-oil countries. This study, according to its findings and policy recommendations to improve the distribution of income has to offer. Based on these recommendations, the Government may, by policies such as "limit the scope of his tenure in economic affairs", "reduce and control the growth of liquidity", "surplus currency reserves to stabilize the oil revenues through oil" and to "increase employment policies production and supply, to reduce inflation "action and thereby reduce income inequality. The government has taken appropriate measures, including development, investment, job creation is closely monitoring credits, preparing to encourage private sector investment, reduce the risk of the private sector through policy stability and overall business environment obstacles, the adjusted unemployment rate and serious action to reduce inequalities provided.

Conflict of interest
The authors declare no conflict of interest

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