

# **GLOBALIZATION AND POVERTY**

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## **ABSTRACT**

There are growing concerns about the ill effects of globalization, and an increasingly polarized debate on the plight of the world's poorest – namely, whether or not many of the 1.2 billion people who still live on less than \$1 a day are sharing in the benefits of greater integration among economies. This study summarizes and empirically examines the various channels and transmission mechanisms, such as greater openness to trade and foreign investment through which the process of globalization affects poverty in the developing world. Cross country regressions based on a panel data of 35 developing countries from 1990 to 2004 are carried out to relate measures of real and financial integration to head count ratio and poverty gap. It was found that capital flows such as FDI adversely affect poverty. Growth of per capita GDP and trade openness, which are important elements of good economic policy as well as a necessary step for achieving it, are positively related to headcount whereas openness is negatively related to poverty gap which depicts the depth of poverty.