

increases • growth • boost equal • average • counterparts poverty • labour • shift struggle • heights • rosy

A. Read the following text carefully and do the tasks that follow it.

1. For questions a – l put the words from the box in the right places.

Why globalization may not reduce inequality in poor countries

Globalization has made the planet more **(a)** _____. As communication gets cheaper and transport gets faster, developing countries have closed the gap with their rich-world counterparts. But within many developing economies, the story is less **(b)** _____: inequality has worsened.

Basic theory predicts that inequality falls when developing countries enter global markets. The theory of comparative advantage is found in every introductory textbook. It says that poor countries produce goods requiring large amounts of unskilled **(c)** _____. Rich countries focus on things requiring skilled workers. Thailand is a big rice exporter, for example, while America is the world's largest exporter of financial services. As global trade **(d)** _____, the theory says, unskilled workers in poor countries are high in demand; skilled workers in those same countries are less coveted. With more employers clamoring for their services, unskilled workers in developing countries get wage boosts, whereas their skilled **(e)** _____ don't. The result is that inequality falls.

But the high inequality seen today in poor countries is prompting new theories. One emphasizes outsourcing—when rich countries **(f)** _____ parts of the production process to poor countries. Contrary to popular belief, multinationals in poor countries often employ skilled workers and pay high wages. A report from the OECD found that **(g)** _____ wages paid by foreign multinationals are 40% higher than wages paid by local firms. What is more, those skilled workers often get to work with managers from rich countries, or might have to meet the deadlines of an efficient rich-world company. That may **(h)** _____ their productivity. Higher productivity means they can demand even higher wages. By contrast, unskilled workers, or poor ones in rural areas, tend not to have such opportunities. Their productivity does not rise. For these reasons globalization can boost the wages of skilled workers, while crimping those of the unskilled. The result is that inequality rises.

Other economic theories try to explain why inequality in developing countries has reached such **(i)** _____. A Nobel laureate, Simon Kuznets, argued that growing inequality was inevitable in the early stages of development. He reckoned that those who had a little bit of money to begin with could see big gains from investment, and could thus benefit from growth, whereas those with nothing would stay rooted in **(j)** _____. Only with economic development and demands for redistribution would inequality fall. Indeed, recent evidence suggests that the **(k)** _____ in developing-country inequality may now have slowed, which will prompt new questions for economists. But as things stand, globalisation may **(l)** _____ to promote equality within the world's poorest countries.

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2. Find in the text the words that mean the same as the following.

a. large difference
b. likely to be good or successful
c. things that are produced in order to be sold
d. having or showing the knowledge, the ability
e. strongly desired by many
f. obtaining goods or a service by contract from an outside supplier
g. having a limiting or adverse effect on (something)
h. very strong and firmly fixed

3. What do the underlined words refer to in the text?

a. their (line 2) **b.** it (line 5) **c.** their (line 10) **d.** they (line 18) **e.** ones (line 19) **f.** those (line 21)

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