

An Econometric Analysis on the Relationship between Globalisation and Inequality in South Africa

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ABSTRACT

Globalisation has had an unprecedented impact on the development and well-being of societies across the globe. Whilst the process has been lauded for bringing about greater trade specialisation and factor mobility many have also come to raise concerns on its impact in the distribution of resources. For South Africa in particular this has been somewhat of a contentious issue given the country's controversial past and idiosyncratic socio-economic structure. Since 1994 though, considerable progress towards its global integration has been made, however this has largely coincided with the establishment of, arguably, the highest levels of income inequality the world has ever seen. This all has raised several questions as to whether a more financially open and technologically integrated economy has induced greater within-country inequality (WCI). This study therefore has the objective to analyse the impact of the various dimensions of globalisation (economic, social and political) on inequality in South Africa. Secondary annual time series from 1990 to 2018 were used sourced from the World Bank Development indicators database, KOF Swiss Economic Institute and the World Inequality database. By using different measures of inequality (Palma ratios and distribution figures), the study employed two ARDL models to test the long-run relationships with the purpose to ensure the robustness of the results. Likewise, two error correction models (ECM) were used to analyse the short-run dynamics between the variables. As a means of identifying the casual effects between the variables, a Toda-Yamamoto granger causality analysis was utilised.

Keywords: ARDL, Inequality, Economic Globalisation; Social Globalisation; South Africa