



Regional Economic Development and Social Equity under Population and Capital Flows: An International Case Study of the US and EU

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Abstract: *With globalization and regional integration deepening, rising flows of people and capital across regions have become important elements restructuring global economic formations and regional social equity. This study investigates the impact of people and capital flows on regional economic growth and social equity. Using a comparative case study approach, this study assesses policy instruments and institutional responses of the United States and the European Union in response to uneven migration and investment patterns. Findings suggest that regions with high levels of human migration and capital inflow experience economic growth and enhanced innovation, but face increasing burdens on social resources. In contrast, regions with population loss and out-migration of capital face declining economies, aging populations, and increasing social inequity. Although both the U.S. and the EU have introduced regional development policies, their success has been uneven. The study underscores the importance of combining market-driven mechanisms with effective national policies to achieve balanced and sustainable regional development. Limitations include reliance on secondary data and insufficient focus on grassroots-level social dynamics. Future research should incorporate mixed methods and investigate the influence of digital finance and green technologies on capital flows and regional equity.*

Keywords: Population and Capital Flows; Regional Development; Social Equity, Policy Intervention; US and EU

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1. Introduction

In the context of deepening globalization and regional integration, the growing frequency of cross-regional flows of people and capital has become a pivotal variable in transforming global economic structures and redefining social equity across regions. According to United Nations data, the number of international migrants worldwide exceeded 280 million in 2020, accounting for 3.6% of the world's total population. At the same time, capital is gathering at an unprecedented rate towards global financial centers and high-tech industrial clusters, exacerbating the imbalance of regional development. According to the World Investment Report 2023 released by the United Nations Conference on Trade and Development (UNCTAD), global foreign direct investment (FDI) is indeed showing a trend of high concentration. The report points out that in 2022, the total FDI inflows to developing Asia will be US\$662 billion, accounting for about half of the global FDI total. In Asia alone, more than 80% of foreign direct investment (FDI) flows to less than 20% of countries and regions, forming a highly concentrated "capital magnetic pole".

While the free movement of people and capital has contributed to economic prosperity and technological advancement in certain regions, it has also led others into structural challenges such as population hollowing and capital flight, thereby reinforcing entrenched core-periphery dynamics. This phenomenon is not only reflected in the gap in economic indicators, but also has a profound impact on the fair distribution of social public resources such as education, medical care, and employment. New Structural Economics posits that the sustainability of regional development hinges on the dynamic balance between population and capital, as well as the adaptability of institutional frameworks. Consequently, understanding how population and capital flows influence regional economic performance and social equity from a global perspective has become a pressing concern for the international community. Therefore, based on the current situation of global population and capital flows, this

study adopts comparative case study method, selects two typical regions, the United States and the European Union, and deeply analyzes their policy measures and institutional arrangements in dealing with uneven population and capital flows. By comparing the differences and effectiveness of the two in terms of regional structural adjustment, institutional response and social equity protection, it aims to reveal the structural mechanisms that affect regional economic and social equity, and provide theoretical and policy references for promoting inclusive and coordinated regional development on a global scale.

2. Overview of Global Trends in Population and Capital Flows

2.1 Trends in Population Mobility

In the context of international migration, labor from developing countries continues to move predominantly toward developed nations, creating a distinct "North-South migration" pattern. Major destination countries include the United States, Germany, and Canada. Notably, the United States hosts approximately 50 million immigrants, representing over 15% of its total population. In other words, global labor migration is showing a trend of continuous growth and has become an important force driving global economic and social changes. According to data from the International Labor Organization (ILO), there are more than 240 million international migrants in the world, and labor migration accounts for a large proportion of them. Globalization and urbanization have intensified people's motivation to pursue a better life and employment opportunities, resulting in frequent cross-border migration of workers, including both the demand for labor in developed countries and migration within and between regions in developing countries. At the same time, the labor migration process is complex, which not only brings economic growth and technological progress to the destination countries, but also benefits the source countries through remittances and skills repatriation[3].

At the same time, within the global South countries, the trend of rural-urban migration is significant. For example, the urbanization rate in China, India, Nigeria and other countries continues to rise. Internal migration within regions cannot be ignored either. For example, the population in the United States' "Sun Belt" such as Texas and Florida is growing rapidly, while "Rust Belt" cities such as Detroit and Cleveland continue to lose population, reflecting the reallocation of the population driven by economic growth and quality of life.

2.2 Contemporary Trends in Capital Flows

Global capital flows are characterized by high concentration and selective allocation. According to the World Investment Report 2023 released by the United Nations Conference on Trade and Development (UNCTAD), global foreign direct investment (FDI) reached approximately US\$1.37 trillion in 2023, reflecting a 3% increase from 2022. The concentration of capital has led to some countries and regions developing, to a certain extent, as "magnetic poles," receiving significant capital inflows and developing centers around fewer than a handful of developed economies and emerging markets. Many other countries and regions characterized instead by capital outflows and limited financing have practical challenges to economic development and the development gap between regions is ever widening. Capital has more of a tendency to flow out of particular developing economies, especially where systems are not fully developed, markets are opaque, and political instability is endemic. As a result, 'financial dependence', or development relationships that have either "neo-colonial" features. Institutions economist North identified the quality of institutions and the extent to which property rights were protection to (be determinants of capital outflows, highlighting the fundamental institutional logic behind capital flows. Due to improvements in financial technology and the deliberate strategy of growing multinational corporations, the pace and digitization of capital flows is accelerating. All of that is to say that while it opens up the pace and ease of capital flows, it also "increases" the acceleration of imbalance, and has competitive effects on disparities in economic development outputs globally.

2.3 Regional Development and Social Equity

At present, the global regional development gap is constantly widening, and the problem of social equity is becoming increasingly prominent. According to a 2023 report by the World Bank, the richest 10% of the world's regions account for nearly 60% of the global GDP, while the poorest 40% of the regions contribute less than 5% of the total GDP[5]. This huge gap not only reflects the uneven distribution of the overall economic scale, but is also vividly reflected in more specific key economic and social indicators such as per capita GDP, median income and infrastructure construction. Take Luxembourg as an example. In 2022, its per capita GDP exceeded US\$120,000, far higher than the global average; in contrast, the per capita GDP of many countries in sub-Saharan

Africa is even less than US\$1,500[5]. This unbalanced development pattern has led to serious uneven distribution of basic public services, such as education, medical care and transportation, which have exacerbated the gap in social opportunities and inequality. Unbalanced regional economic development not only limits the economic potential of disadvantaged regions, but also further exacerbates the gap between the rich and the poor on a global scale, becoming one of the core challenges restricting social sustainable development.

3. Case Analysis

3.1 The United States: Urban agglomeration and the decline of the “Rust Belt”

In recent years, the US economy has shown a trend of polarization. On the one hand, a few large cities have gradually become the gathering places of global capital and high-end industries; on the other hand, traditional industrial areas have experienced long-term decline and population loss. Global cities represented by New York, San Francisco, Boston and Seattle have attracted a large amount of capital investment and high-skilled talent inflow with their advantages in finance, technology, innovation and creative industries [6]. These cities have not only achieved rapid economic growth, but also promoted the formation of an innovation ecosystem, becoming the core area leading the economic development of the United States and even the world.

However, in sharp contrast, the "rust belt" region in the Midwest and Northeast of the United States has long been trapped in the dilemma of industrial decline. Ohio, Michigan, Pennsylvania and other places, which were once the manufacturing centers of the United States, have experienced large-scale industrial hollowing out since the late 20th century as global competition intensified and manufacturing moved out. The large-scale loss of manufacturing jobs has led to rising unemployment, stagnant income of residents, increased burden on the social service system, aging infrastructure, and continuous population flow to economically active urban areas. This has not only weakened the vitality of the local economy, but also triggered profound changes in the social structure, forming a clear regional development imbalance. The people in these regions feel strongly about the impact of economic globalization, and their political demands are increasingly concentrated, which has become one of the important factors in the changes in the US political landscape in recent years. In the 2016 US presidential election, many "rust belt" states became swing states, and the support attitudes of their voters significantly affected the election results, reflecting the profound impact of regional economic differences on the political ecology [7].

3.2 EU: Internal Migration and Regional Development Imbalance

The free movement system implemented within the EU has promoted the migration of a large number of laborers from Central and Eastern European countries to Western Europe. Since the eastward expansion of the EU in 2004, there has been a large outflow of young and middle-aged populations from countries such as Poland, Romania and Bulgaria, and Western European countries such as Britain, Germany and France have become the main destinations for immigrants [8]. This population migration has brought about a significant regional redistribution of labor, and some rural and underdeveloped areas in Eastern Europe have experienced a "labor vacuum" and population aging, further restricting local economic and social development. At the same time, while alleviating labor shortages, receiving countries are also facing challenges such as housing shortages, pressure on educational resources and increased social welfare burdens. The problem of social integration in a multicultural context has become increasingly prominent, and cultural adaptation and social acceptance between immigrants and local residents have become a problem that needs to be solved urgently. In order to cope with the imbalance in regional development, although the EU's regional development funds have attempted to narrow the regional gap through "cohesion policies", the actual effect is limited due to the divergence of interests among member states and insufficient policy implementation efficiency.

3.3 Case Comparative Analysis

3.3.1 Regional Comparison

Population mobility has caused significant differences in social, economic and resource allocation between inflow and outflow regions around the world. Inflow regions typically experience numerous advantages, such as robust economic vitality, many job opportunities, and high job markets that draw in workers and immigrants. When taken in a regional context, Michigan, California or Texas have different labor markets, strong innovative capacity, and many youth entering the labor market. They also have "urban diseases" that most flow regions expect in the future,

including the urban crisis of high housing costs, a shortage of education and health care resources, and congestion. Outflow regions create varying forms of pressure, such as population aging, talent depletion, and low economic vitality, for example, the "Rust Belt" in the Midwestern United States or large areas of declining rural regions in Eastern Europe. Due to the reduction of jobs and the migration of young people, the social structure of these regions has become increasingly solidified, relying on fiscal transfers to maintain basic public services. This "hollowing out" trend leads to regional marginalization, further weakening its ability to attract capital and population, forming a negative cycle.

3.3.2 Policy Response and Practical Reflection

Faced with the challenges brought by uneven regional development, countries have tried to alleviate the imbalanced effects of population and capital flows through policy intervention. The Opportunity Zones policy of the United States aims to encourage investors to inject capital into economically backward areas and activate the local economy through tax breaks and other means. However, the policy did attract some real estate investment in the early stages of implementation, but failed to effectively drive long-term industrial development and local employment, and even raised questions about "pseudo-reconstruction" [9]. The European Union promotes regional rebalancing through regional cohesion policies and structural fund mechanisms, investing funds in disadvantaged regions, focusing on infrastructure, education, employment, digitalization and sustainable development. This policy has become one of the most important expenditure items in the EU budget and is regarded as a core tool for promoting economic growth and social cohesion. However, the effectiveness of this mechanism in some Eastern European countries has been undermined by inter-member political bargaining, inefficient resource distribution, and heavy dependence on local administrative capacity [10].

4. Recommendations for Global Regional Development

To address regional imbalances and social inequalities caused by population and capital flows, countries and regions around the world must adopt more inclusive, coordinated and forward-looking policy frameworks to promote cross-regional development. The experiences of the United States and the EU suggest that solely cognitive reliance on market mechanisms in combination with unilateral anodyne support will not sufficiently address profound structural issues stemming, in part, from regional disparities. Countries should develop overall mechanisms to facilitate the fair and just distribution of fiscal resources and cooperate in cost-effective regional coordination of cross-regional infrastructure investment. High income regions and significant urban areas have a degree of responsibility to contribute unfairly underpinned public redistributive value with fiscal transfers and the equitable funding of joint regional infrastructure investment. Regional development funds, for example, may need to be established to further designated project; invigorate transportation corridors, increase educational provision and equal access to medical services, improvement of the basic capacity of public service requirement of the hinterland regions. The government also ought to act in assisting reverse's capital flows and encourage the return of talent to receivership of non-priority regions through selective treatments like tax discounts, entrepreneurship subsidies and industry incubation, which might allow to open up the 'lock-in' of resources and remove jointly held dependencies upon limited development pathways.

5. Conclusion

The findings of this study show that the increasing globalization and regional integration have had a major impact on the global economic structures and social equity because of the uneven flows of population and capital. The research finds that regions attracting large inflows of people and capital, such as major urban agglomerations in the United States and Western Europe, have experienced robust economic growth, innovation, and increasing social resource demands. Conversely, regions experiencing population outflows and capital flight, such as the U.S. Rust Belt and Eastern European rural areas, face economic stagnation, aging populations, and declining social equity, creating a reinforcing cycle of marginalization and inequality. Policy analysis shows that while both the United States and the European Union have implemented various regional development initiatives, these measures have met with mixed success. The study highlights that achieving balanced and sustainable regional development depends on the integration of market forces with effective national policy interventions.

However, this study has limitations. The study primarily relies on secondary data and policy documents, which may overlook grassroots-level social dynamics and informal economic factors influencing regional development and equity. The evolving impact of digital finance and emerging technologies on capital flows and regional

economies also requires deeper investigation. Future studies should consider longitudinal studies combining quantitative data with qualitative fieldwork, which could better capture the micro-level effects of migration and investment on communities. Furthermore, examining the role of digital innovation and green finance in reshaping capital flows and fostering equitable development presents a promising avenue for future inquiry.

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