Introduction

Over the last thirty years the global economy has been characterized by the so-called globalization process, an increasing political and economical interdependence between countries. On the one hand, the reduction of transport's costs and the advent of information technologies made profitable international transactions and investments not even thinkable before. On the other hand, historical events such as the end of Cold War and the European Union's integration, and the spread of neo-liberal thinking among the principal governments and agencies, led countries to open their economic frontiers. The flows of goods, services and factors of production (labor and capital) dramatically increased, with important consequences on geo-political balances and countries' economies. Many scholars have tried and still try to discern the effects of economic integration on growth, poverty, and inequality. Particularly relevant and controversial is the debate about whether a higher integration in goods and capitals markets has benefitted developing countries, or has further harmed their economic conditions. This debate, involving academics, policy-makers, and components of civil society, often saw two dichotomous and partially ideological positions: on the one side those considering globalization a panacea for least developed countries' problems, on the other those claiming that globalization only exacerbated the gap between developed and least developed countries and increased inequality both within and between countries. The former advocates for a removal of the barriers impeding the free movement of goods and capital, the latter for protectionist measures against global competition. In the middle of these two extreme positions, an intense debate has developed on which are the specific conditions allowing a country to benefit from the opening, and on how *different* aspects of globalization have *different* impacts on *different* problems of developing economies.

One of these aspects is the increase of trans-national investment carried out by Multinational Enterprises (MNEs) seeking new profit opportunities abroad by purchasing stocks of foreign corporations, establishing new plants, or acquiring them from foreign firms. This thesis deals with the impact of foreign investment on host developing countries, focusing in particular on its effect on income inequality, because we are convinced that a costs/benefits analysis of any economic cannot overlook to investigate who bears the costs and who enjoys the benefits among income distribution. We will thus try to find answers to questions such as: how are the inflows allocated among productive sectors and which are the determinants of this allocation? How much and - if any - of what kind is the job provided to local workers? How do foreign firms impact on domestic firms' performance? What does it change for an employee when his firm is acquired by a MNE, according to his skill level? In last instance, is the inflow of foreign investment affecting the distribution of wealth, and to what degree does it depend on the characteristics of foreign and domestic firms, on kind and purpose of the investment, and on initial development of recipient countries?

In order to answer these questions, we will follow this headline: in **Chapter 1** we will define Foreign Direct Investment and classify it according to its kinds and purposes; then we will revise the theoretical and empirical literature dealing with the expected outcome of FDI on growth, as well as its potential drawbacks; finally, we will show how the amount of FDI, the sources and the recipients countries, and the FDI-related policies changed over the last decades. **Chapter 2** will deal with the other side of the investigated relation. We will define income inequality and present different ways to measure it; we will assess how inequality's issue is considered in the academic debate, and illustrate why income distribution matters from an ethical, social and economical point of view; we will then try to explain whether inequality increased or diminished since the advent of globalization, finding that the answer differs depending to which definition of inequality is chosen. In **Chapter 3**, after a brief excursus dealing with the effect on inequality of other aspects of globalization, we will focus on FDI-inequality relation by revising what neo-classical theory predicts and what has been found empirically. We will then list some channels through which FDI could lead to an increase of inequality and distinguish FDI's consequences according to the receiving sector and the development level of the host country. **Chapter 4** will investigate empirically the hypothesis according to which FDI in different sectors has different impact on host economy's inequality, exploiting UNCTAD's data on sectoral allocation of FDI and data on inequality from new SWIID database. In **Chapter 5** we will relate the theoretical and empirical considerations of the previous chapters to the specific case of Ghana. After having recalled its recent economic history, with a focus on liberalization policies, we will present the state of Ghanaian economy, dealing with sectoral growth performance, external sector, employment, health, instruction, poverty and inequality. The last part of the chapter will analyze sectoral allocation of FDI received by Ghana in the last two decades, relate it with inequality’s increasing trend recorded up to year 2006, and deduce plausible effect on inequality up to present, and for the forthcoming years. We will then draft some **Conclusions** basing on what has been theoretically and empirically showed across the chapters, and propose some suggestions for possible future researches.