
Global Inequality

Opening Question

Which three men topped the list of the world's richest people in early 2020?

- A. Jeff Bezos, founder and CEO of Amazon; Mark Zuckerberg, founder and CEO of Facebook; and Warren Buffett, founder and CEO of Berkshire-Hathaway
- B. Bill Gates, cofounder of Microsoft; Jeff Bezos, founder and CEO of Amazon; Mark Zuckerberg, founder and CEO of Facebook
- C. Jeff Bezos, founder and CEO of Amazon; Bill Gates, cofounder of Microsoft; and Bernard Arnault, chairman of VMH Moët Hennessy Louis Vuitton

Learning Objectives (1 of 2)

- Understand the differences in wealth and power among countries.
- Learn several sociological theories for why some societies are wealthier than others, and understand the strengths and weaknesses of each.
- Recognize the impact on people throughout the world of different economic standards of living, including one's health, diet, and educational opportunities.

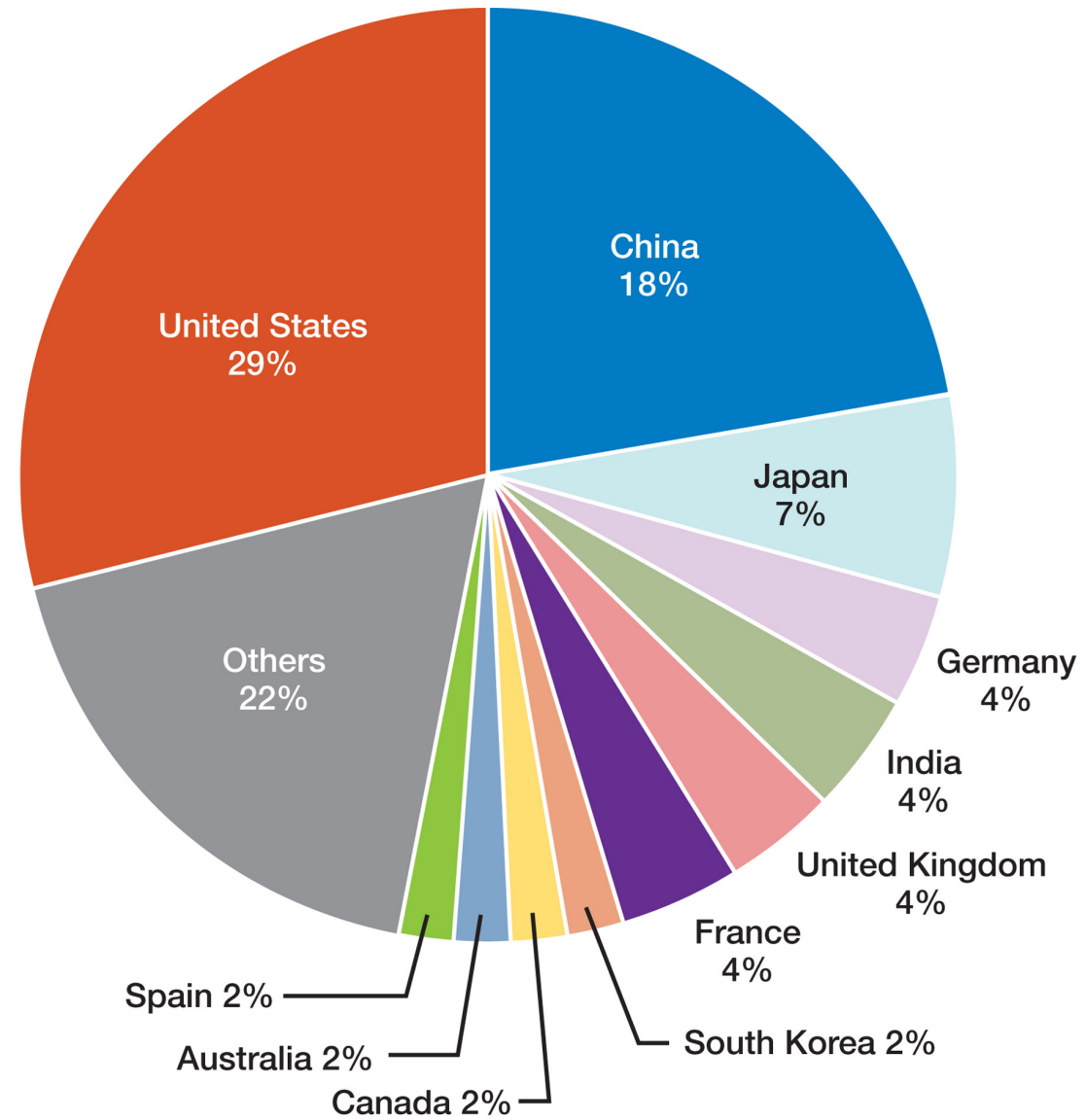
Learning Objectives (2 of 2)

- Understand the causes of inequality—both between countries and within countries—in the world today.
- Learn who makes up the global poor and whether the proportion of the population living in poverty is increasing or decreasing.
- Consider how globalization might shape global inequality in the future.

Globalization

- **Globalization:** The development of social and economic relationships stretching worldwide.
- Globalization has produced opportunities for unthinkable wealth but also widespread poverty and suffering.
- In current times, we are all influenced by organizations and social networks located thousands of miles away.
- A key part of the study of globalization is the emergence of a world system—for some purposes, we need to regard the world as forming a single social order.

Figure 9.1
THE DISTRIBUTION OF THE WORLD'S WEALTH, 2019



SOURCE: Shorrocks et al., 2019b.

9.1 Basic Concepts

<https://www.youtube.com/watch?v=UmVmAQ3DtVE>

<https://www.youtube.com/watch?v=GcVBM-6DQrg>

Global Inequality

- **Global inequality:** The systematic differences in wealth and power among countries.
- **GNI** (gross national income): A commonly used measure based on total income earned as a result of a country's yearly output of goods and services, including income earned abroad.
 - The World Bank uses GNI to classify countries as either high, upper-middle, lower-middle, or low income.

High-Income Countries

- High-income countries are generally those that industrialized first.
- Most high-income countries are found in Europe, North America, and the East Asian/Pacific region.
- High-income countries are home to only 16 percent of the world's population, but command 63 percent of the world's total gross national income.

Middle-Income Countries

- Most middle-income countries began to industrialize later in the twentieth century than high-income countries.
- They are primarily found in East and Southeast Asia and also include the oil-rich countries of the Middle East and North Africa.
- Middle-income countries house 75 percent of the world's population but accounted for 36 percent of the output produced in 2018.

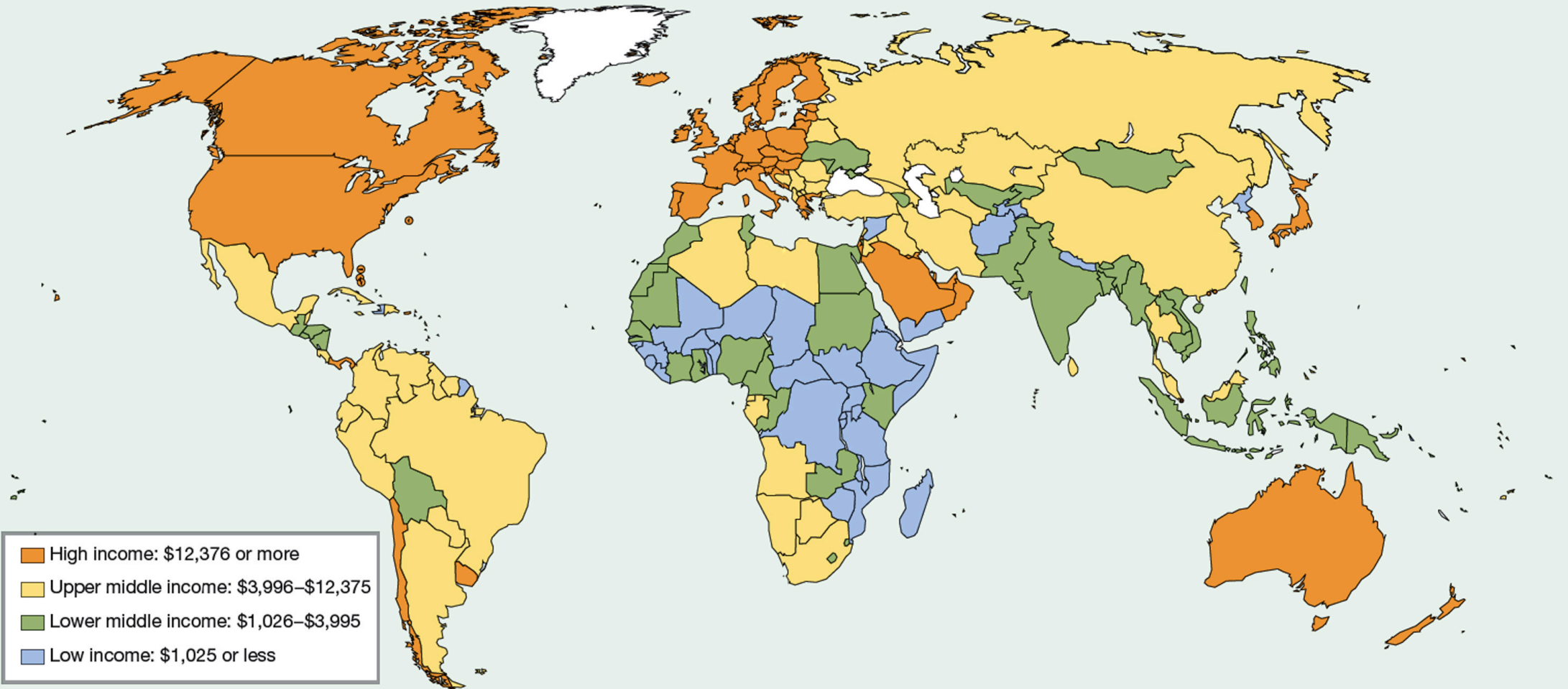
Low-Income Countries

- Low-income countries have mostly agricultural economies, and some are just beginning to industrialize.
- Low-income countries house 9 percent of the world's population but just 0.1 percent of the world's GNI.
- The inequality between average annual income in high-income and low-income countries is increasing, due in part to differences in population growth.
- Large families are more likely to be a cultural norm in low-income countries because children can be an economic asset.

Global Map 9.1

RICH AND POOR COUNTRIES: THE WORLD BY INCOME, 2020

Like individuals in a country, the countries of the world as a whole can be seen as economically stratified. In general, those countries that experienced industrialization the earliest are the richest, while those that remain agricultural are the poorest. An enormous, and growing, gulf separates the two groups.



SOURCE: Prydz and Wadhwa, 2019; World Bank, 2020b.

Is Global Economic Well-Being Improving?

- The number of low-income countries is decreasing as countries move into middle and higher-income categories over time, though the number of people living in high-income countries has remained largely the same.
- Economic success in China and India accounts for much of the upward movement.

Going Beyond Purely Economic Measures of Global Well-Being

- Ranking countries by average annual income ignores income inequality within each country.
 - For instance, the United States is in the upper ranks of high-income countries, yet it has more than a half million homeless people on any given day.
- GNI does not include the value of informal work, which may be significant, especially in poorer countries.

Absolute vs. Relative Poverty

- Classifying countries on the basis of income alone can be misleading since it obscures the difference between absolute and relative poverty.
- **Absolute poverty:** When persons cannot acquire basic life needs, including food, clothing, and shelter.
- **Relative poverty:** When persons are poor relative to others in their society.
- When measuring by human development, the UN estimates twice as many people in poverty as when measuring by income alone.

Capabilities Approach

- Economist/philosopher Amartya Sen argued that instead of focusing on purely economic indicators, what is important is the quality of life people are capable of achieving—the freedom to make fundamental life choices.
- **Capabilities Approach:** An approach to development that uses social indicators to emphasize the degree to which people are capable of achieving a life they value, given the opportunities they face.

9.2 Theories of Global Inequality

Neoliberalism

- **Neoliberalism:** The economic belief that free-market forces, achieved by minimizing government restrictions on business, will provide the greatest economic benefit to the widest range of people.
- By the mid-twentieth century, countries recognized that when left unregulated, markets could favor the rich and powerful, lead to recurring economic crises, and produce a widening gap between rich and poor.
- The United States later pushed neoliberalism again in an attempt to reduce communism in poor countries.

<https://www.youtube.com/watch?v=t41rFqVpB1I>

Modernization Theory

- **Modernization theory:** A version of neoliberal development theory that argues that low-income societies develop economically only if they give up their traditional ways and adopt modern economic institutions, technologies, and cultural values that emphasize savings and productive investment.

Dependency Theories (1 of 3)

- **Dependency theories:** Marxist theories of economic development that argue that the poverty of low-income countries stems directly from their exploitation by wealthy countries and by the corporations that are based in wealthy countries.
- **Core:** According to dependency theory, *core* describes the most advanced industrial countries, which take the lion's share of profits in the world economic system.
- **Periphery:** According to dependency theory, *periphery* describes countries that have a marginal role in the world economy and are thus dependent on the core countries for their trading relationships.

Dependency Theories (2 of 3)

- Dependency theory saw the core-periphery relationship as a downward cycle in which core countries profit at the expense of impoverishing peripheral countries.
- Such exploitative core-periphery relations became a major force through colonialism.
- **Colonialism:** The process whereby Western nations established their rule in parts of the world away from their home territories.

Dependency Theories (3 of 3)

- In the view of dependency theory, global economic inequality was ultimately backed up by force.
- **Dependent development:** The theory that poor countries can still develop economically, but only in ways shaped by their reliance on the wealthier countries.



World-Systems Theory (1 of 2)

- **Global commodity chains:** Worldwide networks of labor and production processes that extend from raw materials to the final consumer.
- Corporations in high-income countries outsource their manufacturing to factories in lower-income countries to reduce costs and environmental restrictions.
- **Semiperiphery:** Semi-industrialized, middle-income countries that extract profits in the form of cheap labor and raw materials from peripheral countries, while at the same time providing labor and raw materials to the core industrial countries.

World-Systems Theory (2 of 2)

- **World-systems theory:** Pioneered by Immanuel Wallerstein, this theory emphasizes the interconnections among countries based on the expansion of a capitalist world economy. This economy is made up of core, semiperiphery, and periphery countries.
- World-systems theory argues that strong governments do not necessarily interfere with economic development, but rather can be key in promoting it.
- Slowly, once-powerful countries will lose their economic power over others.

The Theory of Global Capitalism (1 of 2)

- **Global capitalism:** The current transnational phase of capitalism, characterized by global markets, production, and finance; a transnational capitalist class whose business concerns are global rather than national; and transnational systems of governance (such as the World Trade Organization) that promote global business interests.

The Theory of Global Capitalism (2 of 2)

- **Transnational capitalist class:** A social class whose economic interests are global rather than national, who share a globalizing perspective and similar lifestyles, and who see themselves as cosmopolitan citizens of the world.
- According to sociologist William Robinson's theory of global capitalism, the transnational capitalist class is more powerful than national capitalist classes.
- The transnational capitalist class operates politically and culturally, as well as economically.

Evaluating Theories of Global Inequality

- Neoliberal theories recommend the adoption of modern capitalist institutions to promote economic development.
- Dependency theories emphasize how wealthy nations have exploited poor ones.
- World-systems theory analyzes the world economy as a whole, looking at the complex global web of political and economic relationships that influence development and inequality in poor and rich nations alike.
- The theory of global capitalism emphasizes the importance of an emerging and increasingly powerful transnational capitalist class, which is reshaping the world economy in its interests.

Table 9.1

APPLYING SOCIOLOGY TO GLOBAL INEQUALITY

THEORY	APPROACH TO UNDERSTANDING GLOBAL INEQUALITY	CONTEMPORARY APPLICATION
Neoliberal Theories	Developing countries can improve their economies and lower inequality by opening their economies and markets to foreign investment, reducing the role of their governments, and adopting “western” institutions and cultural values	“Modernization theory,” which called for U.S. investment in Latin America under the 1960s Alliance for Progress; most recently, free-market policies of the International Monetary Fund and the World Bank
Dependency Theories	Inequality and poverty in developing countries results from exploitation by rich countries; economic development can only occur if they control their own economies and—in extreme cases—engage in revolution	Bangladesh’s economy is dependent on apparel factories that make clothing for foreign brands such as H&M and Gap; the result is low pay, dangerous working conditions, and lack of funds to invest in Bangladesh’s development.
World-Systems Theory	The world economic system is comprised of core countries that extract wealth from poorer countries; a periphery that yields wealth to richer countries; and a semiperiphery that extracts wealth from the periphery and yields wealth to the core. Economic development requires a strong state that is committed to development.	The rapid economic growth of China, which has emerged as a world power in the twenty-first century, is evidence that a strong state dedicated to economic growth can be successful.
The Theory Of Global Capitalism	Global economic domination by core countries has been replaced by the growing power of giant transnational corporations, who increasingly control the global economy and shape the policies of national governments.	Giant corporations such as Walmart now have more economic power than most countries, whose economies (and therefore politicians and businesspeople) are beholden to them.

https://www.youtube.com/watch?v=9XkX6EGk_CA