



An Overview of the Inequality around the Global World and Possible Pathways to Address

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Abstract. The issue of inequality around the globe has been a major problem that impacts the well-being of human, especially for those who live in the disadvantaged economies. With the rapid progression in productivity and global collaboration in the past two centuries, today's world is still highly fragmented, and each country has its own imminent issue and limitation.

In this paper, we reviewed the history of the global inequality since 1800, where we can see drastic improvements in almost every aspect of human's life, including income, health, education, and gender equality. We further conducted a deep dive in 3 largest and most impactful economies in the world: the United States, China, and India to examine their respective trend and issues to be addressed. At the end of the paper, we proposed several strategic recommendation which aim to improve the situation.

Keywords: fragmented, limitation, availability, demonstrated, unfair.

1 Introduction

The economic situations between countries are really different, so does the attitude of the society. Surveys, show a wide partisan gap in views of whether inequality is a problem that should be addressed. And economists are also divided on just how to define and measure inequality. Most researchers agree that wealth is more unevenly distributed than income, while consumption is less concentrated at the upper end than either wealth or income. Global growth is expected to decelerate markedly from 5.5 percent in 2021 to 4.1 percent in 2022 and 3.2 percent in 2023 as pent-up demand dissipates and as fiscal and monetary support is unwound across the world. In a recent report, for instance, the Organization for Economic. Cooperation and Development noted that “in OECD countries, the richest 10% of the population earn 9.6 times the income of the poorest 10%.” In addition, critics of the income- based approach note that an individual's income can vary considerably over time, and may not reflect all available economic resources – such as credit availability, government assistance or accumulated family wealth. [1]

In this paper, we conducted a comprehensive overview of the severeness of the inequality around the globe. We first took a look at the trend in the past 2 centuries, which demonstrated the great progress that our human as a whole had achieved as in economic

development as well as the inevitable deterioration of inequality. Then, we deep-dive into 3 large and representative economies to analyze their situation as well as unique circumstances. At the end, we proposed some strategic recommendations for researchers and policy makers to fight the issue of inequality.

2 The Historical Trend of Global Inequality

Back in 1800, global inequality between countries was much lower than it is today. Today's global inequality is the consequence of two centuries of unequal progress. Some places have seen dramatic improvements, while others have not. It strikes many people as inherently unfair that some people are able to enjoy healthy, wealthy, happy lives whilst others continue to live in ill-health, poverty and sorrow. For them it is the inequality in the outcomes of people's lives that matters. For others it is the inequality in opportunity – the opportunity to achieve good outcomes, and that is unfair. The survival rate of newborns is much higher in rich countries than in poor ones. In several African countries more than one out of ten children born today will die before they are five years old. But in Europe and East Asia, there is only 1 in 250 children will die before he or she is 5 years old. And children in Europe and North America would get more chance to access the education. For income, average incomes and compare the richest country – Qatar with a GDP per capita of almost \$117,000, to the poorest country in the world – the Central African Republic at \$661. Then we find a 177-fold difference. The fact that it is the randomness of where a child is born that determines his or her chances of surviving, getting an education, or living free of poverty cannot be accepted. That is a really unfair situation. Here I will compare 3 countries as examples to show the differences between their inequality situations.

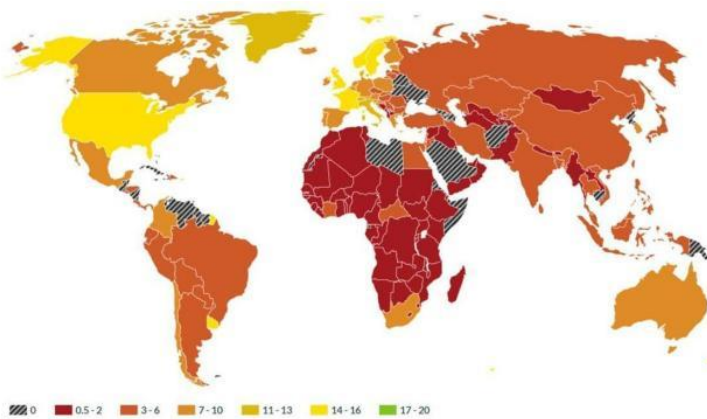


Fig. 1. World Inequality Database of 2020[2]

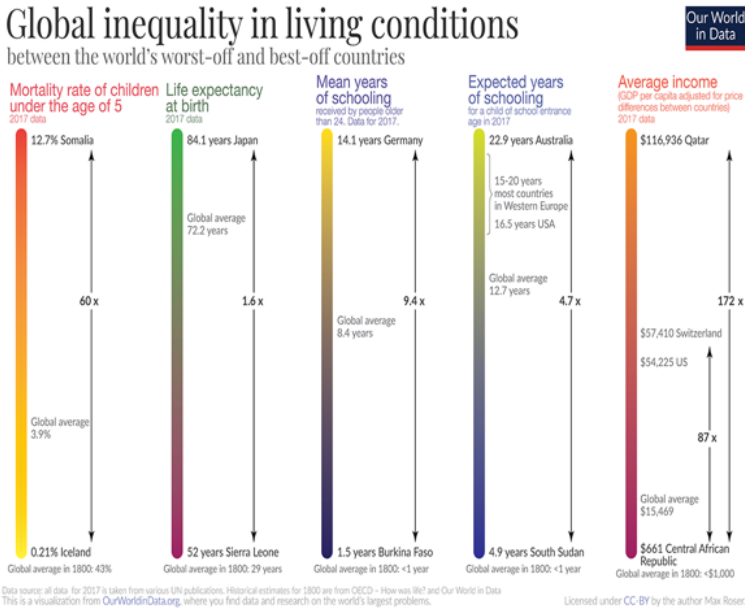


Fig. 2. The Global Inequality Gap, and how it's changed over 200 years [3]

3 Case Study of Inequality in Representative Countries

3.1 United States

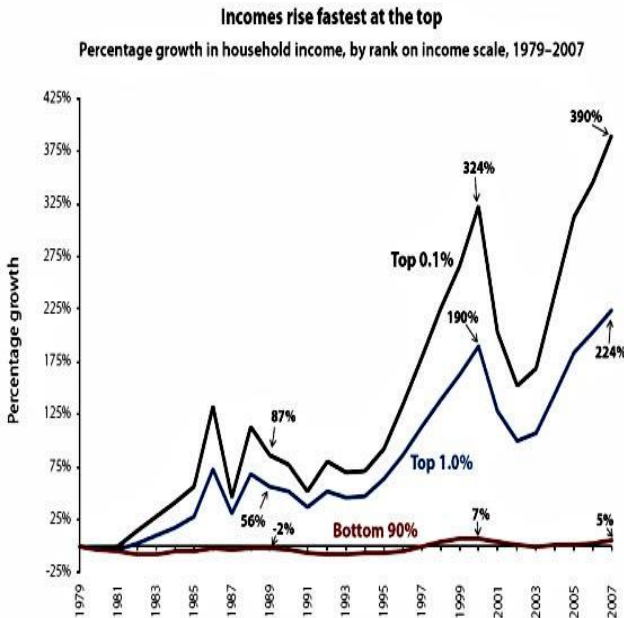
First of all, for the US, the U.S. economy plays an important role on people's daily life and in how the gains were distributed. The household incomes are growing again after a lengthy period of stagnation, the first of which lasting from 1970 to 2000 and the second from 2000 to 2018. In the US, medical insurance is a key component of access to medical services, and in 2007, 8.1 million children under 18 years old were without health insurance. Children in poverty and Hispanic children were more likely to be uninsured. The passage of the Affordable Care Act in 2010 partially alleviated the problem, with around 8 million people signed up for coverage in 2020. However, the quality of service and high premium compared to traditional healthcare plans offered by employers made it less effective.

Education has long been thought as the best way to reduce inequality, especially for income by getting access to higher-paid jobs. For education, the student who drops out of high school has decreased since 1977 to 2007, and the rate of students who enroll in college has gotten higher and higher. And they also made the education wage premium. Only college graduates have experienced growth in median weekly earnings since 1979 (in real terms). High school dropouts have, by contrast, seen their real median weekly earnings decline by about 22 percent. It is clear that higher education leads to higher income, and it is worth noting that middle-class jobs haven't benefited from the rapid growth in high-tech industry in the past 1-2 decades. [1]

3.2 China

China recently makes the income inequality look like the US. Between 1978 and 2015, China moved from a poor, underdeveloped country to the world’s leading emerging economy. Despite the decline in its share of world population, China’s share of world GDP increased from less than 3 per cent in 1978 to about 20 per cent by 2015. An income tax has been in place in China since 1980, but until recently no detailed income tax data was available, and scholars therefore had to rely on household surveys. The level of inequality in China in the late 1970s used to be less than the European average, after a while, China’s inequality started growing, the average annual growth rates for the bottom 50 per cent in China and the US are significantly lower at 4.5 per cent and 0 per cent respectively. For the time being, China’s development model appears to be more egalitarian than that of the United States, but less than that of European countries.

In the past two decades, the unprecedented rapid growth in real estate sector contributed to the inequality in China, especially between super cities like Beijing and Shanghai, and 3 rd or 4 th tier cities. After the commercialization of housing in late 90s, the tight supply in these supercities, together with the Hukou system and their high quality offering of other resources such as medical services and education resources, have been pushing the price of real estate soar for 20 years. People who purchased their home early benefited significantly during this time, and now it is more challenging for younger generation to migrate from their smaller hometown to these cities, due to the high price of housing and low income compared to housing expense. [5]



SOURCE: Economic Policy Institute analysis of data from Piketty and Saez (2010).

Fig. 3. income rises [4]

3.3 India

Moreover, for Indian, there is a crisis of extreme inequality that caused by Covid-19 in there. Form the surveys we can know that there is about 905 million people did not have access to piped water, 287 million did not have access to toilets, 127 million lived in rented accommodations, and one-fourth of the population lived in single-room dwellings in 2017–2018. The implications of the long-term neglect of the public healthcare system and the disparities in the access to education are discussed. The inequality in India in policy circles and among a section of influential economists has been fall in poverty levels. The reasons why is that the distribution of consumption expenditure is usually more equitable than the distribution of income and wealth. But the rise in inequality is also defended on the grounds that it is intrinsic to the growth process that has helped alleviate poverty. Extreme inequality in India arises not only from the skewed functional distribution, but also from the persistence of social disparities and hierarchies. [7]

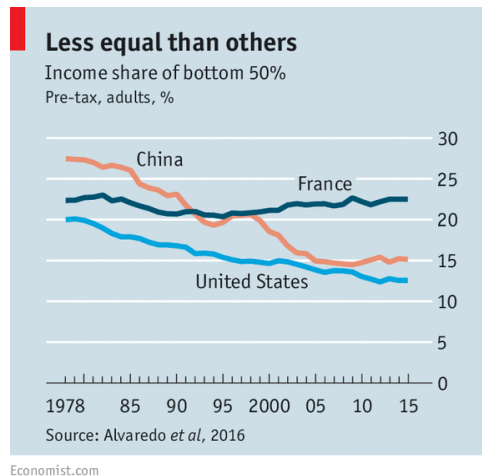


Fig. 4. income share [6]

4 Conclusion

In this paper, we applied a top-down approach and overviewed the issue of inequality around the world and analysed its historical trend over the past 2 centuries. In addition, we utilized a horizontal analysis to compare the unique circumstances of the United States, China and India, each of which is a representative and important economy. It is clear that the issue of inequality is not only an issue in developing countries, but also in the world's most wealthy country as well, yet due to the different political system and economy policy, their manifestation of the same issue is quite different, not to mention the same happens in the root causes. We think this is a helpful practice to conduct such a comprehensive overview and we are encouraged to continue this work to better understand the issue. Next steps include expand our analysis of individual countries to

other economies, and conduct a deep dive of the potential impact of the political stance of the administration on this issue.

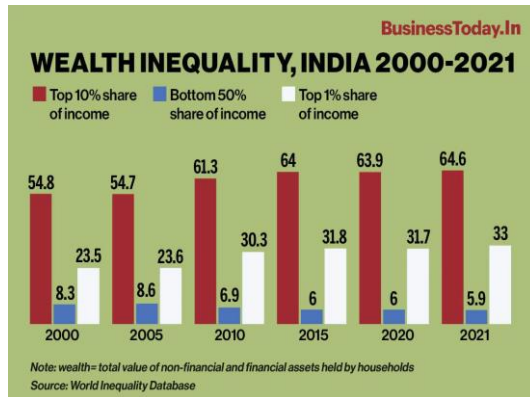


Fig. 5. wealth inequality [8]

To sum up, every different country has their own structure of economics. If we want to improve the economics, we should do a really careful surveys of the market, know people's demand and make sure that everyone will hold their social rights. The extreme inequality was caused by social developments and hierarchies in those developing countries. They should get in new order and learn from the developed countries. Right now, most countries are experiencing significant economic declines as a result of the pandemic and war. Prices have soared in some countries, and in others people are struggling to get food or even vegetables. Therefore, at the same time of economic development, maintaining good relations between countries and protecting the environment to prevent the spread of the virus play an important role in economic development. Strengthening the medical level will enable people to have a good body and health, so that they can work hard and develop the national economy better. Similarly, education is also extremely important, and a good development cannot be achieved without the popularization of education. Countries with highly educated people will develop more favourably.

For policymakers, we believe that it is crucial to keep the unique characteristics and circumstances of the country in mind when evaluating the feasibility of certain policies, especially for those that have potential impact on causing further development of inequality. To make things even worse, such macroeconomic policy shift normally wouldn't show its full impact until years or even decades later, by which time remediation would probably not help too much and irreversible harm may have already happened. The sense of inequality has profound impact on how people feel the quality of their lives, and we suggest policymakers to give it more weights when considering new rules and policies.

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