



Report of the APSA Task Force on Difference, Inequality, and Developing Societies

SECTION II FACT SHEET: What We Know About Global Inequalities

<p>Why should we be concerned about global inequality?</p>	<ul style="list-style-type: none"> ▪ Despite much progress over the past century, economic growth among developing countries has been more uneven than widely acknowledged. ▪ Income inequalities among the peoples and countries of the world remain at historically high levels. ▪ If the world were a country, it would rank near the very bottom of a list of the most unequal countries ▪ In the past 40 years—the era of globalization—there has been a marked polarization of world income distribution. ▪ In 2000 the top 10% of adults in the world owned 85% of global household wealth, while the bottom half owned barely 1%. ▪ Without the 627 million drop in East Asia (China alone had a 506 million decline), the number of people living in poverty in the rest of the developing world increased by 581 million. ▪ Only five countries received 74% of the estimated \$94 billion in portfolio equity flows to developing countries in 2005. ▪ The BRICs—Brazil, Russia, India, and China—now comprise over a quarter of the world’s GDP and are 4 of the 10 largest economies.
<p>What do the data tell us about global inequality today?</p> <p>(Gini coefficient: 0=no inequality; 1=total inequality)</p>	<ul style="list-style-type: none"> ▪ The Theil Index shows that from 1820-1992 global inequality increased from 0.522 to 0.855. ▪ Inequality within countries has been rising since 1970. ▪ Per capita GDP measures show an increase in global inequality (a Gini coefficient of 0.545 in 2000, up from 0.473 in 1982). ▪ Population-based measures show a decrease in global inequality (a Gini coefficient of 0.502 in 2000, down from 0.559 in 1967). However, most of this is explained by China’s growth. ▪ Virtually all studies of global inequality among individuals since 1980 find that inequality ranges between Gini coefficients of 0.61 and 0.68—a staggering level. ▪ Inequality between the world’s wealthiest country and the world’s poorest country has risen from an already large 38.5:1 in 1960 to over 64:1 in 2005. ▪ Consumption by the richest 20% of the world population accounted for two-thirds of world total consumption resulting from the growth of the 1990s, while the bottom 50% of the world population got only 9.5%. ▪ The disparity of income distribution among individuals has also reached historically unprecedented levels: In 1980, the richest 1% of the world population earned 216 times the poorest 1%. By 2000, this had ballooned to 415 times the earnings of the poorest 1%. ▪ The global distribution of household wealth is extremely unequal, with a 2000 Gini coefficient of 0.892. ▪ The top 10% of adults in the world owned 85% of global household wealth while the bottom half owned barely 1%. ▪ The average net worth per adult is \$153,874 in 24 high income OECD countries, or 79 times greater than the \$1,950 average for 64 low income countries. <p style="text-align: center;">--more--</p>



How uneven is growth among developing countries?

- **Brazil's** per capita Gross National Income is more than 12 times greater than that of Malawi—the world's poorest country—but is only five times less than that of the U.S.
- **China's** per capita income is more than 10 times greater than Malawi's but only 6.4 times less than the U.S.
- From 1997–2006:
 - East Asia grew at an average annual rate of 6.3%, driven by China's 9.1% growth rate.
 - South Asia grew at 5.5%, thanks in part to India's 6.2% rate of growth.
 - In contrast, Africa and West Asia's growth rates were an identical 4.0%.
 - The transition economies of Eastern Europe grew at an annual rate of 4.9%.
 - **Latin America and the Caribbean** were the poorest performing regions with an average annual growth rate of just 2.9%.
- From 1980-2004:
 - Without the 627 million drop in East Asia (China alone had a 506 million decline), the number of people living in poverty in the rest of the developing world increased by 581 million.
 - In Eastern Europe and Central Asia the number of people living in **absolute poverty grew by more than five times** from 3.1 million to 17 million.
 - In sub-Saharan Africa the number of **people in absolute poverty almost doubled** from 164 million to 313 million.
 - People living in **poverty in Latin America and the Caribbean grew by 40%** from 35.6 million to 49.8 million.
- **Capital flows** to developing countries are highly concentrated. From 1990–1999, just 11 countries—with 35% of the developing country population—received 75% of all Foreign Direct Investment (FDI) to developing countries while the other 176 developing countries received only 25%.
- **Asian countries** received most such FDI in recent years; their share of total FDI stock in developing countries has grown from 23% in 1980 to 62% in 2005.
- **"South-South" FDI** grew from just \$2 billion in 1985 to \$60 billion in 2004.
- In 2005, of the 77,000 **transnational corporations** in the world, more than 20,000 were from developing countries.
- From 2000-2005 the BRICS combined to contribute more than **35% of world growth**.

###