

Growing Inequality under Global Capitalism¹

By Jomo Kwame Sundaram² and Anis Chowdhury³

Income and wealth inequality has increased in recent decades, but recognition of the role of economic liberalization and globalization in exacerbating inequality has never been so widespread. The guardians of global capitalism are nervous, yet little has been done to check, let alone reverse the underlying forces.



Global elite alarmed by growing inequality

The [World Economic Forum](#) (WEF) has described severe income inequality as the biggest risk facing the world. WEF founder Klaus Schwab has observed, 'We have too large a disparity in the world; we need more inclusiveness... If we continue to have un-inclusive growth and we continue with the unemployment situation, particularly youth unemployment, our global society is not sustainable.'

¹ First published on Interpress Service, on 4 May 2017 <http://www.ipsnews.net/2017/05/growing-inequality-under-global-capitalism/>

² Jomo Kwame Sundaram, a former economics professor, was United Nations Assistant Secretary-General for [Economic Development](#), Assistant Director-General of the [UN Food and Agriculture Organization](#) (FAO) and received the [Wassily Leontief Prize for Advancing the Frontiers of Economic Thought](#) in 2007.

³ Anis Chowdhury, a former professor of economics at the [University of Western Sydney](#), held senior United Nations positions during 2008–2015 in New York and Bangkok.

Christine Lagarde, IMF Managing Director, told political and business leaders at the WEF, “in far too many countries the benefits of growth are being enjoyed by far too few people. This is not a recipe for stability and sustainability”. Similarly, World Bank President Jim Yong Kim has warned that failure to tackle inequality risked causing social unrest. “It’s going to erupt to a great extent because of these inequalities.”

In the same vein, the influential US Council of Foreign Relations’ journal, [Foreign Affairs](#) carried an article cautioning, “Inequality is indeed increasing almost everywhere in the post-industrial capitalist world.... if left unaddressed, rising inequality and economic insecurity can erode social order and generate a populist backlash against the capitalist system at large.”

Much ado about nothing?

Increasingly, the main benefits of economic growth are being captured by a tiny elite. Despite global economic stagnation for almost a decade, the number of billionaires in the world has increased to a record 2,199. The richest one per cent of the world’s population now has as much wealth as the rest of the world combined. The world’s eight richest people have as much wealth as the poorer half.

In India, the number of billionaires has increased at least tenfold in the past decade. India now has 111 billionaires, third in the world by country. The largest number of the world’s abject poor also live in the same country — over 425 million, a third of the world’s poor, and well over a third of the country’s population.

Africa had a resource boom for a decade until 2014, but most people there still struggle daily for food, clean water and health care. Meanwhile, the number of people living in extreme poverty, according to the World Bank, has grown substantially to at least 330 million from 280 million in 1990!

In Europe, poor people bore the brunt of draconian austerity policies while bank bailouts mainly benefited the moneyed. 122.3 million people, or 24.4 per cent of the population in the EU-28, are at risk of poverty. Between 2009 and 2013, the number of Europeans without enough money to heat their homes or cope with unforeseen expenses, i.e., living with ‘severe material deprivation’, rose by 7.5 million to 50 million people, while the continent is home to 342 billionaires!

In the United States, the income share of the top one per cent is at its highest level since the eve of the Great Depression, almost nine decades ago. The top 0.01 per cent, or 14,000 American families, own 22.2 per cent of its wealth, while the bottom 90 per cent, over 133 million families, own a meagre four per cent of the nation’s wealth. The top five per cent of households increased their share of US wealth, especially after the 2008 financial crisis. Meanwhile, the richest one per cent tripled their share of US income within a generation.

This unprecedented wealth concentration and the corresponding deprivation of others have generated backlashes, arguably contributing to the victory of Donald Trump in the US presidential election, the Brexit referendum, the strength of Marine Le Pen in France and the Alternative for Germany, and the ascendance of the Hindutva right in secular India.

‘Communist’ China and inequality

Meanwhile, China has increasingly participated in and grown rapidly as inequality has risen sharply in the ostensibly communist-ruled country. China has supplied cheaper consumer goods to the world, checking inflation and improving living standards for many. Part of its huge trade surplus — due to relatively low, albeit recently rising wages — has been recycled in financial markets, mainly in the US, which helped expand credit at low interest rates there.

Thus, cheap consumer products and cheap credit have enabled the slowly shrinking ‘middle class’ in the West to mitigate the downward pressure on their living standards despite stagnating or falling real wages and mounting personal and household debt. China’s export-led development on the basis of low wages has sharply increased income inequality in the world’s largest country for more than three decades. Beijing is the new ‘billionaire capital of the world’, no longer New York. China now has 594 billionaires, 33 more than in the US!

Since the 1980s, income inequality in China has risen faster than most! China now has one of the world’s highest levels of income inequality, rising mainly in the last three decades. The richest one per cent of households own a third of the country’s wealth, while the poorest quarter own only one per cent. China’s Gini coefficient⁴ for income rose to 0.49 in 2012 from 0.3 over three decades before when it was one of the most egalitarian countries in the world. Another survey put China’s income Gini at 0.61 in 2010, greatly exceeding the US’s 0.45!

Earlier articles on hungerexplained.org related to the topic:

- [Gates Foundation’s rose-colored world view not supported by evidence](#), 2017
- [Is “free-tradism” agonising? Why is it increasingly difficult to enter into free trade agreements?](#), 2016
- [Intergenerational equity: the European social model - The story of a political mistake](#), 2015
- [Intergenerational equity is possible, provided there is a fundamental change in the principles that govern the world](#), 2015

⁴ The Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution.

The Gini index measures the area between the Lorenz curve and the hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line.

A Gini index of zero represents perfect equality and 100, perfect inequality.
([OECD Glossary of Statistical Terms](#))