Tackling the Rise of Economic Inequality in World Politics

Madeline K

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Introduction

Economic inequality is a growing issue in global politics as it impacts the development of the most vulnerable countries in the world. Scholars have identified that economic inequality contributes to political instability as it weakens democracy in nations and serves as a roadblock for international organisations such as the World Bank (Roe and Siegel, 2011: 279). Economic inequality has been suggested to merely have negative impacts globally as it fails to improve financial development. The term financial development is defined as a tool that is "necessary or useful to propel economic growth, to create wealth, and to develop a nation" (Roe and Siegel, 2011: 280). Financial development has become a favoured topic in global politics because it encourages international organisations and development experts to support financial markets by protecting individuals and corporations' investments (Roe and Siegel, 2011: 280).

When international organisations and development experts contribute to the investment of the financial market, it positively impacts economic development. Moreover, it positively impacts financial growth on a broader scale as there are specific policies that are enforced to address economic inequality in economically unstable countries. However, other scholars argue that economic inequality is not significantly increasing, and instead, other societal issues are more critical. Furthermore, economic inequality is not deemed the most vital world politics issue as it has been reported that inequality is a natural product of financial markets (Peterson, 2017: 1). Nonetheless, this paper seeks to identify that economic inequality is an ongoing global problem that can be addressed by acknowledging the legacies of colonialism, understanding the intersectionality of gender inequality and economic inequality, and studying the implications of globalisation.

Acknowledging the Legacies of Colonialism

The legacy of colonialism is often raised as a contributing factor to the global problem of economic inequality. Experts who study economic development have reported that European colonization in the form of institutional practices plays a significant role in countries suffering from poor economic development (Engerman and Sokoloff, 2005: 1). European colonizers achieved institutional practices as they forcibly became labourers and applied control using military rule and political measures with the local authorities (Engerman and Sokoloff, 2005: 4). Institutional practices were applied to several continents and islands such as Africa, the Caribbean, and Asia. However, settlers used different techniques to gain and maintain power in these regions. For instance, settlers in the Caribbean focused on the production of commodities in the European market in an effort to control the commodities industry rather than on economic surpluses (Engerman and Sokoloff, 2005: 4-5). Whereas in Africa, the European settlers focused on trading forts as they were unsuccessful in exerting control over the native population (Engerman and Sokoloff, 2005: 5).

The African continent and Caribbean islands experienced colonialism at an alarming amount compared to other regions due to a large population of settlers living in these colonies. When measuring the issue of economic development in these regions, Engerman and Sokoloff (2005) argued that economic equality was prevalent in the most democratic political institutions as there was a significant investment made in public goods and infrastructure (6). While in regions that experienced high levels of economic inequality were characterised as political organisations with minimal democracy, lack of investments in public goods and infrastructure (Engerman and Sokoloff, 2005: 7). Additionally, regions with declining economies had biased property laws and economic opportunities, which benefited the most elites. Overall, these factors continue to have a severe impact on economic growth as countries that focus on the diversification of goods and the representation of all people experience the most financial development.

The continent of Africa tends to be a trendy subject when understanding the impacts of colonialism. Researchers state that Africa is a crucial subject in this issue as many countries such as

Congo and Madagascar have experienced a lag in their economic development due to the consequences of predatory regimes, repression, and violence (Maseland, 2017: 260). The legacies of colonialism have been measured based on the different colonial rulers. For example, political leaders have argued that the British empire focused on the diffusion of values for individual liberty and the promotion of commerce throughout the world (Maseland, 2017: 261). In contrast, Belgium's ruling in Belgian Congo was viewed as harsh and led to other colonial rulers appealing for a more civilized form of colonialization (Maseland, 2017: 261). The comparison of the British and Belgium colonial powers is used to differentiate the impacts of colonialism in their previously colonised countries. These impacts are studied in order to draw the conclusion that specific strategies used by colonial powers to gain control over African nations contribute to economic inequality.

A study that investigates the length of colonial rule and institutional practices suggests that the consequence of colonialism is decreasing and even fading as the capita of previously colonised countries remains the same (Maseland, 2017: 276). This viewpoint on the legacy of colonialism is problematic as it fails to recognize the longstanding impacts of institutional procedures used by settlers to maintain control. It fails to acknowledge how these policies continue to shape present infrastructures in African countries and rather places blame on countries experiencing economic declines. On the other hand, scholars such as Fedderke et al., (2010) argue that taxation systems that were enforced on colonies presently impact the economic development of sub-Saharan African countries (4). The characteristics of the taxation system of the French settlers and British empire were explored in order to gather the effects it had on its colonies. For instance, the French taxation system was characterised as a punitive taxation system that involved the forced labour of the native population (Fedderke et al., 2010: 4). At the same time, the British empire enforced low levels of taxation on their former colonies (Fedderke et al., 2010: 4). It was identified that the low levels of taxation implemented by the British empire had a positive influence on their former colonies. The West African countries such as Ghana and Nigeria, which are former colonies of the British, have been reported to be the most successful colonies in tropical Africa due to the low levels of taxation (Fedderke et al., 2010: 4). This finding concludes the assumption that less strict taxation laws increase economic activity in former colonies as there are more free trade and private investments in these countries (Fedderke et al., 2010: 4). Therefore, it confirms the assumption that French colonies tend to experience less economic activity, which results in them remaining economically fragile.

The economic inequality in former colonies has also been linked to political instability. When scholars researched the relationship between economic development and political instability, it found that the record of per capita gross domestic product and gross domestic product growth rates had a statistical impact on the political instability (Roe and Siegel, 2011: 281). Although this finding confirms that economic inequality is often linked to the political environment of countries, it fails to provide examples of countries that fall under these political insecurities. Economists have also criticized that the political economy explanation should include wealthier countries such as France, Germany, and Italy as they have weaker financial markets than the United States (Roe and Siegel, 2011: 282). Lange (2004) stated that the legacies of colonialism have a direct impact on current political structures as former British colonies have "ineffective central administrations, empowered local chiefs, and thereby created a system of decentralized despotism that has left the state both ineffective and near collapse" (906). These adverse effects are described as the consequences of the process used to gain control over the native populations in former British colonies. These processes used by British settlers are identified as a direct rule and indirect rule to gain power. Direct rule is defined as "when only the lowest levels of the colonial administration are run by locals while the remaining positions are run by colonial officials" (Lange, 2004: 906). In contrast, the indirect rule is defined as "when the governance of extensive districts of the colony is entrusted to members of the native elite under the supervision of the imperial governors" (Lange, 2004: 906). These two forms of the ruling have affected the political atmosphere of former British colonies such as Ghana and Nigeria.

Understanding the Intersectionality of Gender Inequality and Economic Inequality

Gender inequality has been linked to economic inequality as countries that experience poor financial progress tend to be the most gender-biased. Cuberes and Teignier (2014) noted that gender inequality is the most prevalent in developing countries as there are significant gaps between men and women in the labour market (260). Specifically in developing regions such as South Asia, the Middle East, and Africa, there are few representations of women in the productive sectors such as agriculture and manufacturing (Cuberes and Teignier, 2014: 260). The lack of representation of women in these economically dominant industries translates to women getting paid less than men. For example, in Nigeria, women made 60 cents for every dollar made by a man, and in India, women were paid 64 cents for every dollar a man earned (Cuberes and Teignier, 2014: 260). These significant wage gaps have been reported to show how developing countries such as Nigeria and India promote gender inequality in their labour market. These gender inequalities towards women have a negative impact on the economic growth of countries as it forces women to take on traditional household work rather than support their countries economy through the participation in the labour market. Additionally, scholars who have studied the economic development of women in the labour market found that men were concerned with women's employment rights. For instance, husbands did not favour giving women more employment rights as they wanted to maintain their bargaining power over their wives in the household (Cuberes and Teignier, 2014: 263). Whereas other men reported that they supported the movement of women having more rights in the labour market as “they want their daughters to have legal rights as this gives them higher utility” (Cuberes and Teignier, 2014: 263). The hostility against women in the labour market is a barrier to long-term economic development in countries.

The gender barriers between women and men controls economic development through human capital investments. According to Silva and Klasen (2021), the long-term economic development depends on human capital growth as parental investments towards their children's education and health significantly impacts a country's economy (581). Human capital investment contributes to economic development as it measures the time spent in the labour market with economic growth. For instance, when the time women spend in the labour market is low, women end up being only responsible for child-rearing, which results in population growth and low economic performance (Silva and Klasen, 2021: 589). The idea that women are only responsible for gender-based activities such as childrearing and domestic work impacts the economy long term as fewer women will be encouraged to pursue an education. Silva and Klasen (2021) conclude that the promotion of gender-based activities leads to gender inequality and “can be conceptualised as a source of inefficiency, to the extent that it results in the misallocation of productive factors, such as talent or labour” (589).

These negative factors can create high fertility in developing countries and reduce human capital investments.

The most vulnerable women in the world are the most impacted by gender inequality. For instance, in Asia, women face challenges due to their gender representation as it has been reported that there is a rise in violence against women, high rates of women in vulnerable employment and informal sector, and lack of representation in political decision making (Lee and Park, 2011: 49). Women who are considered the most vulnerable tend to experience gender inequality at a higher level as their rights are ignored due to them coming from poor backgrounds, disabled, and are aging in society (Lee and Park, 2011: 49). Women considered to be vulnerable due to societal disadvantages such as ageism has been a consistent factor in the causes of economic inequality in developing and developed countries. For instance, women in developed countries have been reported to be at a higher risk of experiencing poverty in their later life paralleled to men due to pension eligibility rules and interaction with social welfare systems (Vlachantoni, 2012: 104). Women tend to rely on social welfare systems compared to men because they have often spent more time in informal labour such as domestic work whereas men are encouraged to enter the labour market. Therefore, women end up reaching their later life with little savings and requiring government support in order to meet their needs. Even when women enter the labour market, they are paid low wages due to the gendered stereotypes that they belong in caring and nurturing environments (Cohen, 2007: 132).

Studying the Implications of Globalisation

Globalisation has been a popular topic in world politics as it fosters both positive and negative impacts on the global economy. Globalisation is defined as an economic movement whereby “new agencies of governance of an international or a transnational kind are created so that greater substance is given to the idea of a world political and economic order” (Goldthorpe, 2002: 1). Globalisation has been deemed favourable to economic development as globalisation is understood to spread free trade and translates to national incomes increasing (Potrafke, 2014: 509). However, other studies have noted that globalization negatively affects economic growth as the distributional impacts of globalisation result in the loss of free trade and income distribution due to the rise of outsourcing and non-traded goods being traded (Potrafke, 2014: 509). Although national incomes are positively impacted due to the promotion of free trade, globalisation creates consequences in countries where their skills and jobs are being outsourced to less developed countries. It creates an issue whereby low-income countries are exploited due to their low-cost labour and allows corporations to benefit from the most economically unstable countries. Globalisation also creates gender implications as it "results in low-skilled women entering the labour market when low-income countries have a comparative advantage in the production of goods that are intensive in low-skilled labour" (Potrafke, 2014: 509). Therefore, low-skilled women are forced to work in intense and poor working conditions because they assume that these are the only jobs they can attain. It reinforces the idea that globalisation tends to marginalize the most vulnerable people in society while favouring the elites. Bardhan (2006) has confirmed that the practice of outsourcing by domestic companies in rich countries affects the native population in developing countries (1393).

Globalisation has been criticized for negatively impacting the rural poor population in developing countries. Globalisation critics have argued that globalisation has resulted in the people living in rural areas experiencing a decline in economic development (Bardhan, 2006: 1394). Bardhan (2006) noted that economic growth has significantly declined in rural areas as it was "estimated that during 1981-2001, the percentage of rural people living below an international poverty line of $1.08 per day declined from about 79% to about 27% in China" (1394). Additionally, the population of rural people living below the international standards went from 63% to roughly 43% in India and from 55% to 11% in Indonesia (Bardhan, 2006: 1394). The decline in the international poverty line has been linked to the rise of globalisation in India, China, and Indonesia. Although these declining percentages have been associated with globalisation, pro-globalizers have an opposing view on these claims. Pro-globalizers have explained that China's decline in economic development is a result of internal reasons such as the lack of infrastructure expansion, the strict 1978 land reforms, the alteration of policies involving grain procurement prices, and the restriction on rural to urban migration (Bardhan, 2006: 1394). The impacts of globalisation on the poor population have raised concerns of social class inequality as low-income people are the most affected compared to other socioeconomic classes (Goldthorpe, 2002: 1).

Socioeconomic factors have been studied to understand how globalisation influences the standards of living for everyone. Tsakiri (2010) has reported that globalisation in fact affects the quality of life for all individuals as it promotes economic liberty to consumers and producers while also reducing living standards and social progress globally (158). These findings of globalisation indicate that the economic movement of globalisation can positively and negatively impact the living standards of people dependent on their social class. For instance, people working in the labour market experience the negative aspects of globalisation as they are forced to work in poor working conditions, which are described as “modern-day slavery” (Tsakiri, 2010: 158). Furthermore, critics have identified that the negative aspects of globalisation have brought attention to human rights issues and environmental protection. Globalisation has been connected to producing global environmental damage due to its increasing use of non-renewable resources (Tsakiri, 2010: 159). The use of non-renewable energy is terrible and highlights the downfall of globalisation as it causes climate change and exposes people to unsafe toxins.

Conclusion

In conclusion, economic inequality is an emergency crisis globally and requires urgent resolutions to protect all people's human rights. This essay explored the issue of economic inequality by critically analysing solutions such as acknowledging the legacies of colonialism, understanding the intersectionality of gender inequality and economic inequality, and studying the implications of globalisation. Scholars have concluded that economic inequality drastically impacts the everyday experience of all people as it creates a gap between the wealthy and poor people in the global environment. Kraus et al., (2017) has stated that economic inequality does not only impact the people living in developing countries but impacts everyone on a global scale as it heightens class boundaries amongst the lower, working, middle and upper class (425). As a result, economic development requires the participation of the developed and developing world since the negative and positive aspects of development are present globally. This paper brings awareness to this issue in order to stress the importance of topics such as colonialism, gender, and globalisation in international relations.

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