

## POPULATION AND ECONOMIC INEQUALITY

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### Summary

The international economic inequalities have never been so acute than at the beginning of the XXIst century. The prosperous triad (Northern America, Western Europe, Japan and developed countries of Eastern Asia) generates 80 % of the world monetary output and 60 % of the revised GDP assessed at Purchasing Power Parities. Subsaharan Africa is more relegated than ever ; more than 50 % of the population of this region lives below the poverty line of \$1 per person per day. A look at the HDI (Human Development Index) gives a less pessimistic view since the non-economic components of this index (education and health) have usually continued to grow unabatedly. The health status, as well as the gender gap in education among younger birth cohorts have improved.

### 1. Introduction

International and internal disparities in income and opportunities are evolving contrary to the widely proclaimed ideal of justice during world conferences : food for all, education for all, health for all, full employment, eradication of poverty are current leitmotives among bodies like the U.N. or the World Bank. Unfortunately, since the beginning of 1980s, this process of convergence is undermined in many parts of the world : the weakening of the state apparatus, the resurgence of traditional conflicts (based on ethnicity or religion), the aggravation of corruption and drug trafficking, the dismantlement of the bipolar world order and the emerging fragility of nations under the forces of globalization, financial markets and local maffias tend to combine all over the planet. Even in the richest countries, a category of "new poor" or "socially excluded", or

even "homeless" is now at the top of the domestic political agenda. Among the international community, the disparities seem also to widen ; the new wave of institutional (liberalization, concentration of capital) and technological innovations (information, biotechnology, and telecommunication revolution) which spread among the most advanced economics created wide obsolescent segments among the labor force and the different sectors of the economy (agriculture, industry, trade and traditional services).

## 2. World population and output

Let us begin with a short presentation of the world population and economy at present (1996). In table 1, the world is divided into 10 sub-regions, according to their income status.

The disproportion between the distribution of population and the distribution of wealth is striking. If we except the sphere of European peopling, the balance sheet of the XXth century is cruel : only one great nation, Japan, has been able, thanks to an obstinate effort of catching up, which began under Meiji Restauration (1868), to climb to the western economic level. The Japanese GDP, calculated in PPP (Purchasing Power Parities) in order to take into account the impact of high prices in this country, represents 8 % of the world economy for a corresponding population of only 2 %. Of course, there are a few other prosperous economies, namely in the same region (Eastern Asia) : Taiïwan, Hong Kong, Singapore, but their relative weight is small.

This introductory table deserves other important comments :

Two large commercial blocks dominate the world economy : the NAFTA and the EU-15, with a similar demographic weight (1/16 of the planet each), but

Region	Population		GNP (billion \$ 1996)	GNP at PPP billion \$	
	(millions)	%			
<b>I</b> NAFTA	388	6,7	8 345	7 871	24,0
USA	265		7 433	6 562	
Canada	30		570	589	
Mexico	93		342	720	
<b>II</b> EU-15	372	6,5	8 470	6 435	19,7
Germany	82		2 365	1 457	
France	58		1 534	1 100	
Italy	57		1 140	1 018	
U.K.	59		1 152	1 045	
<b>III</b> Market economics of Eastern Asia	565	9,8	6 720	5 263	16,1
Japan	126		5 149	2 550	
Indonesia	197		213	773	
<b>IV</b> Russia (Fed.)	148	2,6	356	628	1,9
<b>V</b> Continental China	1 220	21,2	500 (2)	1 500 (2)	4,6

<b>VI</b> India	945	16,4	358	1 328	4,1
<b>VII</b> Latin America (excluding Mexico)	403	7,0	407	2 198	6,7
<b>VIII</b> Middle East and Maghreb	294	5,1	450	1 099	3,4
<b>IX</b> Sub Saharan Africa	582	10,1	300	750	2,3
<b>X</b> Others (1)	735	12,7	3 200	5 284	16,1
World Total	5 753	100,0	29 510	32 735	100,0
(1) Australia, Pakistan, Bangladesh, Indochina, Burma, Turkey, countries of central and Eastern Europe, etc.					
(2) Our estimate					
Source : Calculated from UN and World Bank Atlas data.					

Table 1 : The world population and economy in 10 pieces, 1996

with more than 28 % of the world GDP each, that is a total of 57 % precisely or the vast majority of the income produced. Even after correction for prices differences, this transatlantic entity (NAFTA, plus EU-15) is at the origin of 44 % of real monetary wealth flows (calculated in PPP).

- The third pole of wealth is the market economy zone of Eastern Asia, led by Japan ; with 1/10 of the world population, this pole realises 22,8 % of the world product (16,1 % after correction of international price differences).
- In sum, with only 23 % of the population of the earth, these poles of the prosperous triad generate 80 % of the monetary GDP and 60 % of the revised GDP assessed at PPP.
- The former Soviet Union which had for a long time falsified economic data in order to show that it was the second superpower, just behind the USA, has fallen backward, at the bottom of the ranking, with only 1,5 % of the world GDP, or 10 times less than Japan, 16 times less than the US. In spite of its impressive natural resources (gaz, oil, gold, etc), the Russian Federation shows a GDP inferior to that of the Netherlands. However, is it reasonable to admit that, on this basis, the GDP per inhabitant has now reached the bottom line, comparable to the black African level ? One can wonder if the movement of the pendulum has been too far and if the figures are underestimated (illegal, informal economy) or even manipulated to produce the evidence of massive poverty in order to get financial assistance from the IMF or bilateral agreements.
- The two demographic giants (China and India) present contrasted results, however one must be cautious : if Indian data are reliable, the Chinese one are inconsistent and they present biases which are similar to the Former Soviet Union's ones. In terms of GDP calculated in PPP, India is ahead of the FSU and ranges between France and Germany. India has just reached the threshold of one billion people and does not hide any more its ambitions which are strong as its trumps : control of the high technologies ; numerous qualified and English-speaking elites (the university system produces two million graduates a year),

well-established democracy, international openness, smooth fertility decline, emergence of a middle class eager to consume, to travel and to modernize, etc.

- Latin American comes in the fourth position with a GDP approximately double that of the FSU. Despite the oil revenues and a population which is only slightly smaller (by 1/4), the countries of the Middle East and of Maghreb have a GDP which is twice lower than that of Latin America.
- Subsaharan Africa is more relegated than ever. With the same population as the capitalist countries of Eastern Asia (nearly 600 million inhabitants), the corresponding GDP at similar prices is seven times lower. If we keep the region of South Africa aside, the ratio becomes 10 to 1. An even more significant fact is that India has a real income per head higher by 40 % than the corresponding one of sub-saharan non austral Africa. In spite of a slightly smaller population than sub-saharan Africa, Latin America presents a revised GDP (at PPP) four times larger.

On the basis of table 1, we can establish the following hierarchy of living standards in the main regions of the world (using standard purchasing power parity : PPP, in dollars) as in Table 2:

Region	GNP per head, PPP, 1996	Region	GNP per head, PPP, 1996
1. NAFTA	20 300	5. Russia (Federation)	4 240
of which : USA	24 760	6. Middle East/Maghreb	3 740
2. EU-15	17 300	7. China	1 450
of which : Germany	17 800	8. India	1 405
3. Far East capitalist zone	9 315	9. Sub-saharan Africa	1 300
of which : Japan	20 200		
4. Latin America (1)	5 450	World average	5 690
(1) Excluding Mexico			
Source : computed after world Bank data (revised for China)			

Table 2: Hierarchy of living standards in the main regions of the world (using standard purchasing power parity : PPP, in dollars)

There are in fact three broad categories of countries : (i) rich countries of the "West", plus Japan. The West includes Northern America, Western Europe, Australia ; in this part of the world the GNP per inhabitant is equivalent to about 20 000 \$ (or 55 \$ a day) (ii) intermediate countries, often oil-rich but not systematically : Latin America, Russia, Maghreb and Middle East ; in this case, the GNP per head falls between the range of 3 500 to 5 500 \$ (or about 10 to 15 \$ a day) (iii) poor countries of Africa and Asia (namely China and India) which altogether represent half of the world population total, and have a weak disposable income per person (between 3 and 5 \$ a day).

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### **Biographical Sketch**

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