**Not all Men are Created Equal**

Examing the Growing Income Inequality Rate

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Compositions

Words

**Abstract**

I argue that the global income inequality rate is rising at alarming rates in today’s society. To attempt to find the beginning of an explanation I begin by looking at some of the areas of the globe that experience the highest and lowest rates on average. During the search, the population being examined narrowed down to Bolivia in South America and China in Asia. When the two smaller populations were determined, the next step became to study different aspects of each country to determine if there were connections to anomalies in those aspects that might point to their income inequality rate. I review both the country’s economic system as well as the education system to attempt to find anything that would help find a link to income inequality rates.

**Author Biography**

Michael Hewitt is a Computer Network and Systems Administration student attending Michigan Technological University. He hails from the state of Wisconsin, where he grew up living in a small town full of blue-collar hard working people. With this background, Michael was instilled with the values of hard work leading to good fortunes in life. Michael is one of the first members of his family to attend a four-year university. Although his main focus is his technology, he also has a very prudent interest in global issues, and spends time reading about global news. The extent of this interest is very wide because Michael tries to present himself as a worldly person. He takes interest in studying global issues of varying degrees, with hopes to attempt to understand the issues at hand around the globe.

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**starting the Conversation**

As long as humans have been on this earth we have found ways to create differences between each other. One of these differences includes the class system. This system primarily deals with monetary values assigned to certain groups of people based on the jobs they hold. A person who primarily works in a higher salary job is categorized into the upper-level societal class, while the people who primarily work in a lower salary job are placed into the lower-level societal class. There is also a middle class within this system, but my argument does not concern this part of the class system. These classes can do more than categorize how much money a person makes. This class system can affect the living conditions experienced, and even the opportunities presented to a person. Overall this class system raises no issues with most of the population, however the gap between the upper and lower classes has steadily and continuously widened by larger and larger margins.

In society today the world’s wealthiest population holds the largest percentages of the overall wealth. The most popular verbiage for this group of people is the “one-percent” which refers to the wealthiest one percent of the overall population. Statistically the one-percent of the population holds approximately just under forty-percent of the worlds’ wealth (Wolf, 2010). Most economists find this distribution to be quite alarming. It is widely believed that with this already high rate, steadily increasing globally, that various parts of everyday life may begin to become affected. The purpose of this research is to find a link between the economic and educational policies being put into use by a country and the income inequality rate. Another hypothesis included the idea that not all countries are playing on the same plane, income wise. There are various situations experienced by countries around the world that affect the gap in income of their populations. Many of these countries experience vicious cycles that do not allow them to change the situation at hand and create a further wage gap.

**global Distribution**

While the situation as a whole is one of a global scale, there is data to show different regions of the world hold differing rates. One of the goals of my research was to examine different regions of the globe with hope to determine which regions experience both high and low income inequality rates. Then, once a region is determined to lie on either side of the spectrum the goal shifts to determine if there is a reasoning for why that region falls at that specific extreme.

After dividing the world into separate regions and determining each regions’ overall income inequality rate, it was discovered that, as a whole, South America was the part of the world that experiences the highest income inequality rate at an average of around 60 on the R/P 10% scale (Schneider, Buehn, & Montenegro, 2010). These rates are determined by the ratio of the average income of the richest ten percent to the poorest ten percent of the population of a country.Then, after digging around and researching all the major countries of South America, it was determined that the country of Bolivia held the highest rate at 93.9 (Schneider, Buehn, & Montenegro, 2010).

One thing to know about Bolivia that might have an effect on the rate would be the unemployment rate experienced within the country. When a countries unemployment rate is high, that means there are large amounts of the population that are automatically classified into the lower class. With such a large lower class, it creates a potentially large gap between that lower class and the upper class within the country. Unemployment rates in Bolivia hover near ten percent (Frenkel & Ros, 2006). This number is shockingly high because it is almost double the rate of the United States, 5.5 percent (Lawrence, 2012). With so much unemployment in the country, there creates that larger separation between the upper and lower classes. With all these statistics the overall picture of the income inequality epidemic starts to come to fruition. That being said, this is just one aspect of the country of Bolivia and does not represent it as a whole.

On the opposite side of the spectrum lies the region of the globe where the rates of income inequality are the lowest on average. This region is Asia. The rate calculated was lower on average compared to other regions of the world that are equally developed as Asia. One theory for this lower income inequality rate is the large industrial complex developed in the top countries of the region. Asia contains the countries China, Japan, India, and Russia, which are all very developed countries. Of those countries, China holds the lowest income inequality rate. The actual rate for China is around 20 (Wei, 2001).

As studied earlier, I decided to look at the unemployment rate of China and compare it to Bolivia and even the United States for comparison and see if there might be a correlation between the unemployment rate and the income inequality rate. After doing some research it was determined that the current unemployment rate in China hovers around 4.6 percent, which is significantly lower than that of Bolivia and also lower than that of the United States. With so little unemployment in the country, there creates that smaller separation between the upper and lower classes. That being said, this is just one aspect of the country of China and does not represent it as a whole.

**Economic advantages and disadvantages**

After discovering the differing rates around the world the next logical question might be what the causes of these phenomenon. My search began with attempting to examine the economic policies employed by each of the countries I am examining. The hope of doing this was to find a correlation between the economic systems being used in each country and the differing income inequality rates being experienced. The link could be the reason why so many people of the country experience that income inequality.

Bolivia’s economic standing is not an impressive one when compared globally to all of the other major economies. They lie on the low end of the scale in both their region, South America, as well as globally. According to the rankings, Bolivia is the 95th largest economy in the world in nominal terms[[1]](#footnote-1) (Russo, 2015). Another measurement of the Bolivian economic policy is the purchasing power parity. Purchasing power parity (PPP) is a component of some economic theories and is a technique used to determine the relative value of different currencies. Bolivia does rank 87th in the world in that index. The World Bank is a United Nations international financial institution that provides loans to developing countries for capital programs. The organization classifies Bolivia as a lower middle-income country, which corresponds to the lower class within the class system.

The economy of Bolivia is not a complicated one. The country has a historic pattern of single-commodity focus. The means that instead of manufacturing or development, the economy has been centered on the harvesting or mining of one single commodity or crop. In the past this has been silver, then it transitioned to tin, and more recently the shift has turned to coca (Russo, 2015). With the economy being so one dimensional, when a commodity becomes temporarily scarce it can severely affect the economy in a bad way. This forces the government to cut funding to critical public establishments that need funding, such as the education system.

The population of the country also becomes affected by the situation. Low population growth coupled with low life expectancy and high incidence[[2]](#footnote-2) of disease keeps the labor supply in flux and can sometimes prevent industries from flourishing (Russo, 2015). The population that does beat the odds when it comes to the population growth problem is then subject to hard conditions due to low job availability. This is due to the high unemployment rate experienced within the country. Just over half the population, 54 percent, falls below the poverty rate (Russo, 2015). This means that over half of the population of Bolivia does not make enough money annually to pay their bills along with normal living expenses. This coupled with the inflation rate hovering around 6.5 percent makes the living conditions for the countries population that much harder. With no jobs being produced in the rural settings, most of the population is forced to become self employed to provide for themselves or their family.

After analyzing all of information presented about the economic status of Bolivia, it isn’t hard to have a slight understanding about why their income inequality rate is so high. With so many people who are either unemployed or self-employed, there exists a large percentage of the population that lives below the poverty line. With the lower class being so large, it creates the hypothesis that if a country has an economy that struggles more, if not just as much as Bolivia, they are more likely to have a higher income inequality rate.

On the other side of the globe sits China, where the economy can be classified as much stronger than that of Bolivia. By the numbers, China is the second largest economy by nominal terms (Clause & Oxley, 2014). Meaning by shear amount of money within their economy, China holds the second largest amount in the world. They are second only to the United States. They hold this ranking because China is widely regarded as the global hub for manufacturing. This means that many countries depend on China to produce much of the materials they need for various projects.

This manufacturing based economy has benefited China in many different ways. One of those ways includes the low unemployment rate of China, mentioned earlier. Because manufacturing requires many different steps happening at the same time, there is high demand for workers to fill all of those jobs. With so many jobs needed to run the manufacturing economy, this helps keep the percentage of the population living below to the poverty line low. The number itself lays around six percent (Clause & Oxley, 2014). This means that much more of China’s population makes enough money to live comfortably compared to the population of Bolivia. With so many people making that much money it become a little clearer as to why the countries income inequality rate is so low.

After taking all the information presented, and analyzing it from the perspective of the income gap between the poor of the population and rich upper class, there appears to be a correlation to the economic status of a country and its corresponding income inequality rate. Every population will have these classes, but it seems that China’s gap is not as large as other countries. There are enough jobs being produced within the manufacturing based economy to the point where the lower class has become smaller. There seems to be a connection between these two ideas. The theory produced after this study of the data becomes that when a country has a stable enough economy that creates enough jobs for its population there seems to be a trend of lower income inequality within that country.

**educational influences**

There has long been held the idea that the more educated a person is, the better off they will be in life. This premise does have a little footing if a little logic is applied to the principle idea. In theory if a person is able to somehow get a secondary or tertiary education, then their earning potential should be vastly greater than that of a person without a degree of any sorts. This is also true of someone who at least carries a high school diploma as his or her highest degree in hand. Studies have recently shown that the earning gap between young adults who have a college education and those with no degree at all has drastically gotten larger. In the early 1960’s the wage gap between these two groups of earners was around $7,500, while the gap for today’s generation of young adult wage earners is near $18,000 per year (Day & Newburger, 2002). Most economists believe that this number will only get bigger as industry continues to evolve around new technology presented. This warrants a study of the difference in educational systems being employed by the countries examined with the hope to find a link between each system and the corresponding income inequality rate in each country.

Starting with the South American county of Bolivia, the research began by looking at the overall review of the country’s education system. This search yielded some interesting results. At first glance, the Bolivian education system comes out almost flawed in a way. After doing some simple research into the system, I discovered that the physical school time that the students are spending in the class room is split into shifts, a morning and an afternoon, which compresses everything and leaves little time for the little details that make education a little more enjoyable (Salinas & Nunez, 2000). The school system has to deal with this high compression mainly because of the fact that most of the public schools in the country are severely underfunded and in dire need of repair. The economic status of the country has forced the government to make cuts to the budget and the school systems were one of the first things to receive cuts.

The first six years of school for a child in Bolivia is free and therefore compulsory[[3]](#footnote-3). Although, in practice, about 20 percent of children do not receive an education. The four years of secondary education[[4]](#footnote-4) are not compulsory, and less than a quarter of young adults attend, and those that do go to secondary education usually attend a private school (Salinas & Nunez, 2000). This creates a situation that trends to be slightly skewed to the advantage of people already in the upper classes that can afford private education for their children. When it comes to the college education system, the numbers become even lower for attendance. Again this has much to do with the financial standing of the student’s family. Most of the small student body is from upper class families.

Back on the other side of the spectrum lies China. At first glance the education system of China holds much more regard to keeping all children in schooling for longer periods of time than its Bolivian counterpart. The students begin their primary education at age six. This first phase of schooling lasts six years and is also compulsory like its Bolivian equivalent (Turner & Acker, 2002). While the Bolivian school days are very compressed the Chinese school day is 8 hours long and occurs 5 day a week. This schedule is much easier on the student and allows for extra curricular activates and leisure activities. The school system is well funded and all students have access to various extra curricular activities as well as well kept facilities for scholarly use. This is due to the countries well developed economic system that allows the government of China to put large amounts of funds into its education system. Also because of this, most students are given the opportunity for secondary education of their choice. Students are given the choice between general senior secondary school and a vocational[[5]](#footnote-5) senior secondary school (Turner & Acker, 2002).

sThere is no drop off of student attendance as they progress through the school system as there is in Bolivia. Again, this has much to do with the economic strengths of China. Many of the students are then encouraged to go on to tertiary education[[6]](#footnote-6) due to China’s high demand for skilled jobs in their economy. Instead of money being a deciding factor on where a student will attend a University, most the of the selection process if based on entrance exam scores, which allows for students who come from the lower class families a chance to attend upper level universities with the hope of eventually getting a high paying skilled job.

After all this analyzing of the education system, the connection begins to form between the countries ailing economy and the deterioration of the education system that seems to favor the already wealthy. That connection then leads to our overall thesis that all countries are not created equal when it comes to income inequality rates. There are different factors that affect how each country scores.

**bringing it all together**

The rates of income inequality have been steadily rising at an alarming rate. The goal of this research was to discover a correlation between a countries income inequality rate and its economic and educational policies. The goal was to connect that chain formed by the high inequality rates. The theory presented was that the chain began with the educational systems used by a country.

The research has put forth the idea that when a countries educational system is in need of repair or reform it can lead to a population of low or non skilled workers filling up the economy. If there are no skilled workers to fill positions needed within the economy, then the economy itself suffers and begins to become dependent on single commodities to fuel the economy instead of relying on diversification. This proves to be very situational because commodities are not always easy to acquire and causes a shortage in income flux. With the economy in dire shape, that leaves much of the population of the country living below the poverty line. Also, the education system takes a hit again due to the government having to make cuts because of the budget shortage experienced. This creates a vicious loop. This situation also creates a rather large lower class of people in the population. With so many of the population under the poverty line, this creates the larger gap from the upper class population of the country, thus creating the larger income inequality gap. To summarize the theory, poor education and economic systems tend to lead to larger wage gaps and higher income inequality rates.

When examining a country on the other end of the income inequality spectrum, one that has a well-developed economy and educational system, the same theory develops as before. If the students receive a good education, they are able to fill the need for skilled workers within the economy. This leads to a well-developed economy that allows its population to live above the poverty line. The cycle also applies to this situation as well. If the students have the jobs the economy does well and the school systems will have adequate money needed to continue fund the schools properly to provide good education opportunities. With all these skilled workers that are well educated, the lower class becomes smaller, while the middle and upper classes become larger. With the lower class smaller, that should lessen the gap of incomes between the populations of the country. To summarize this theory, better education and economic systems tend to lead to smaller wage gaps and lower income inequality rates.

The purpose of this research was to find a link between the economic and educational policies being put into use by a country and the income inequality rate. Another idea included the situation that all countries are really not sitting on the same plane income wise. There are various situations experienced by countries around the world that affect the gap in income of their populations. Many of these countries experience vicious cycles that do not allow them to change the situation at hand and create a further wage gap. With all the research and theories presented, there appears to be a correlation between the economic and educational policies of a country and the income inequality rate experienced by those countries.

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1. Value in terms of money [↑](#footnote-ref-1)
2. The occurrence, rate, or frequency [↑](#footnote-ref-2)
3. Required by law or a rule; obligatory: [↑](#footnote-ref-3)
4. High school [↑](#footnote-ref-4)
5. Of or relating to an occupation or employment [↑](#footnote-ref-5)
6. College education [↑](#footnote-ref-6)