INEquality:
What is it and how does it affect you

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GLOBAL CONNECT
Inequality

What does inequality mean?
The uneven distribution of wealth and income

What is wealth?
The value of everything a person or family owns, minus any debts

What is income?
What people earn from work and investments

Surplus income leads to wealth
Focus on the “Haves” and “Have Nots”

Sao Paulo, Brazil
Global Inequality – Saudi Arabia

Homeless in Riyadh

Kingdom Mall in Riyadh
Global Inequality – Russia

Soup Kitchen in Moscow

Millionaire Fair in Moscow
Global Inequality – India
Global Inequality – United States

Homeless American       Kim Kardashian
The “Haves” are clearly very wealthy. They are the top 1% of the population in terms of accumulation of wealth.

More than half of all global wealth belongs to the top 1% of the population.

We can see even more concentration of wealth by looking at the 0.1% of the population. For example, 25% of wealth in the U.S. is owned by the top .1% of the population.
What does poverty look like?

Look at the “Have Nots”
What Do These Pictures Show?:

The focus on poverty is one of the most important problems in understanding and addressing global inequality.

- **896 Million (12%)** people live on less than 2 local dollars a day globally (World Bank, 2012)

- **5.1 billion (70%)** people live on less than 10 local dollars a day globally (Pew, 2015)

- **1.1 billion (16%)** of the globe lives on more than 20 local dollars a day. (Pew, 2011)

- Those living on less than 2 local dollars are denoted as Poor while those living on less than 10 local dollars are denoted as Low-Income.

- What could this 8 dollar difference mean for day to day life in Haiti? U.S.? India?
How is poverty measured? (go to video)

Absolute Poverty- When a household income is below a threshold (poverty line) that allows for basic necessities such as shelter, nutritious food, clothing, education, and medicine.

Relative Poverty- When a household income fails to provide a quality of life relative to wealthier households in the respective nations.

Some societies require greater resources to get by daily, such as a car.
Inequality: Not just about extremes in wealth

Let’s try to think about inequality across the entire population. The previous slides focused on the very wealthy and the long term impoverished. What about those in the middle?
We’ll start by looking at Global inequality and then move on to Domestic inequality here in the U.S.
How do we measure Global inequality?

- There are several methods and criteria used to measure inequality.
- One of these methods is the GINI Index.
- The GINI index ranges between 0 and 1, with 0 representing complete wealth equality between individuals in the population and 1 representing complete inequality.
- The higher the score, the higher the inequality within the nation’s population.
Global comparison of Inequality within each nation using the GINI Index
Comparison of Individual Wealth Globally

World wealth levels, 2015

Wealth levels (USD)
- Below USD 5,000
- USD 5,000 to 25,000
- USD 25,000 to 100,000
- Over USD 100,000
- No data

Source: James Davies, Rodrigo Iluberis and Anthony Shorocks, Credit Suisse Global Wealth Databook 2015
# A Comparison of the GINI index Globally

<table>
<thead>
<tr>
<th>Developed Nations</th>
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![World wealth levels, 2015](source.png)
Shifting from the Global to the Domestic Perspective: Inequality in the U. S.

- Is the distribution of wealth in the United States “fair?”

- How do you feel about poverty globally? Domestically?

- Where do you think you will end up in terms of accumulated wealth with your future family?

- What is the “American Dream”? 
The “American Dream”

Ability to:

- Move up in class
- Own a “nice” house
- Send children to college
- Retire from work
Is Inequality Necessary?

**Meritocracy** – a system based on the ideal that hard work and persistence (merit) will lead to future rewards

- Many believe that inequality is necessary for a society to function.
- Example: Grades
  - What if everyone received the same grade in your school regardless of how much work they put into their classes?
  - What does inequality mean to you?
How much inequality is necessary for individuals or societies to operate?
Distribution of Wealth in the U.S. – What People Think is Ideal

(The Atlantic, 2012)
How is Inequality Evaluated?

Equality of **opportunity** – all “runners” beginning at the same “starting line” in terms of “life chances”

vs.

Equality of **outcome** – all “runners” achieving the same income and wealth in their future households

Same starting line?
What is Social Mobility?

Social mobility - the movement between the social class that you’re born into to the social class that you end up in as a result of your actions

- Examples of “Rags to Riches”
  - Oprah Winfrey
  - Chris Pratt
  - Andrew Carnegie

- The rate of social mobility is related to the degree of inequality in a population. The higher the inequality, the lower the rates of social mobility.

- The degree of social mobility in the economic system is often used to evaluate the outcomes of inequality in terms of “fairness”
American Individualism – the idea that anyone can become successful if they work hard

- Idea that individual actions can overcome external factors (such as social class, gender, or race) is strongly associated with the American idea of meritocracy
- In comparison, people in Europe or Latin America work hard, but are not surprised if external factors strongly influence their future economic achievement despite individual actions
What Affects Social Mobility?

**Human Attributes** - Skills, abilities, and certifications that improve one’s ability to make income.

**Social Attributes** - The value of social networks to individuals embedded in them. “Who you know.”

**Cultural Attributes** - The advantage individuals gain from their knowledge of values and customs in a particular environment. For example, the language and customs of the office setting are different than a construction site.
How Much is an Education Worth?

- In the past, a college degree guaranteed some form of middle class standard of living – this may no longer be true for many of the middle 60% of the U.S. population.

- A four year college degree does not guarantee opportunities for finding a “good job” the way it has in the past (i.e., 1950’s America).

- It is still very important to attain a four year college degree, but the largest increases in earnings over the last 30 years are associated with attaining graduate degrees (e.g., masters or professional degrees).
Increases in annual earnings by Degree Attained

Figure 3. Median Annual Earnings by Age and Educational Attainment
(Full-time, year-round workers)

Does the American Dream Still Exist?
The American Dream?

- Americans are becoming increasingly skeptical about individualism, that is how a meritocracy operates and opportunities to attain the American Dream.

  - Significantly less social mobility occurs in the top 10% and bottom 20% (i.e., the children of the rich tend to stay rich, the children of the poor tend to stay poor, labeled “stickiness” by inequality analysts).

  - Only 7% of those from the bottom get to the top (Bowles, Gintis, & Groves, 2008).

  - “Rags to Riches” stories are extremely rare.
What is the Future of the American Middle Class?

- 4.9%, government reported unemployment, compared to 9.9%, the actual percentage of underemployed, discouraged workers, and unemployed in the U.S. (Bureau of Labor, 2015)

- Increase in number of jobs without benefits, such as health, dental, retirement benefits, etc. (ProPublica, 2013)

- Since 2008, 90% of the overall increase in income has gone to the upper 10% of the U.S. population (Wall Street Journal, 2013)
Discussion Points

1. Do we live in a meritocracy? Does “equality of opportunity” for individuals from different household incomes exist in our society?

2. How much inequality is needed for a society to operate effectively? For example, is the ratio of CEO pay to median worker pay in the U.S. fair?

3. Is the evaluation of domestic inequality the same in every country? For example, is inequality in Denmark looked at the same way as it is the U.S.? How about China or South Africa?
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