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CS349

WEALTH DISCREPANCY

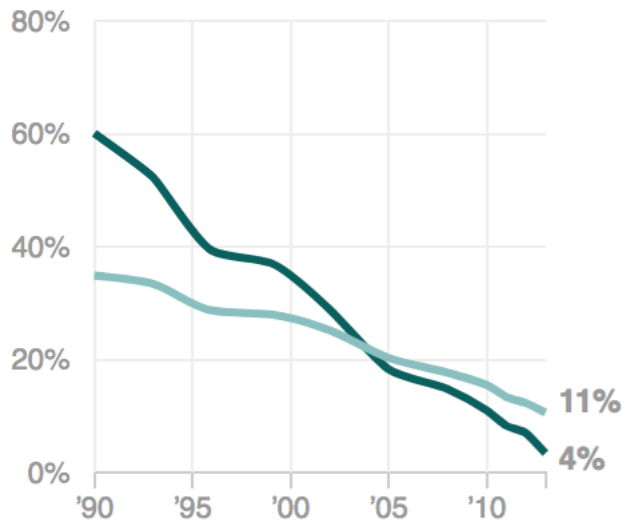
WORLDWIDE DECLINE IN POVERTY

- ▶ Poverty line measured as \$1.90 per day based on the U.S. dollar in 2011
- ▶ In 1990, 35% of all people lived below the poverty line
- ▶ In 2013, 11% of world population lived below the poverty line
- ▶ Between 2008 and 2013, poorest 40% of population in 60 of the 83 countries studied had rise in earnings
- ▶ Between 2012 and 2013, income gap shrank in 49 of the 83 countries studied
 - ▶ Inequality decline in Brazil, Cambodia, Mali, Peru and Tanzania

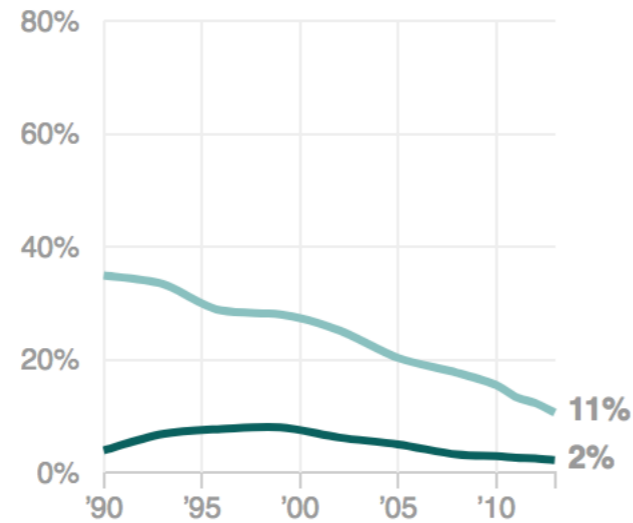
PEOPLE IN POVERTY

Regional rate World rate

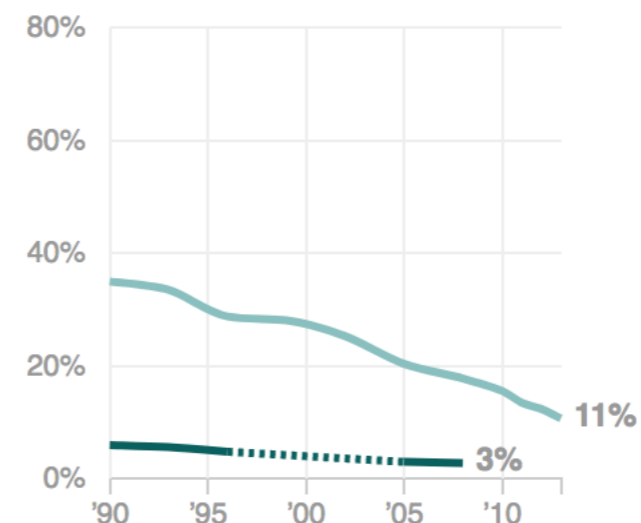
EAST ASIA/PACIFIC



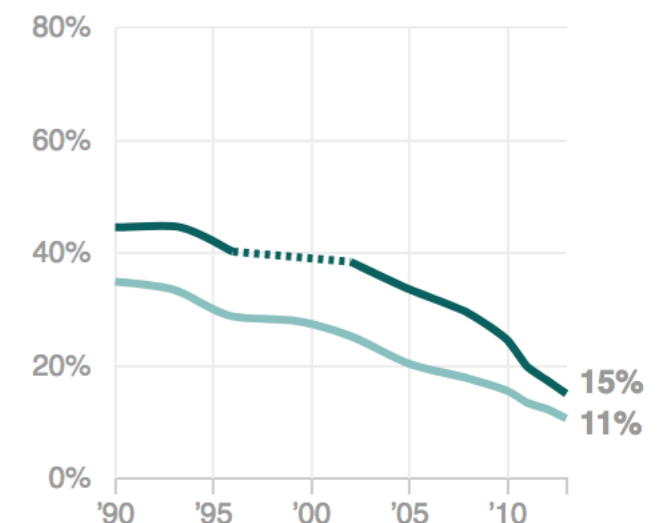
EASTERN EUROPE/CENTRAL ASIA



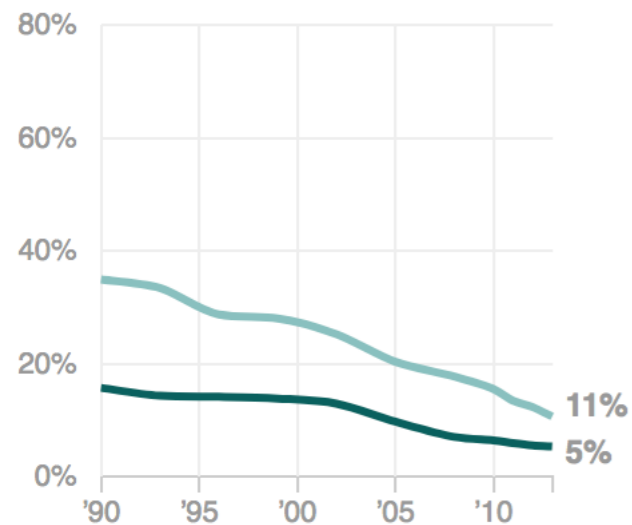
MIDDLE EAST/NORTH AFRICA



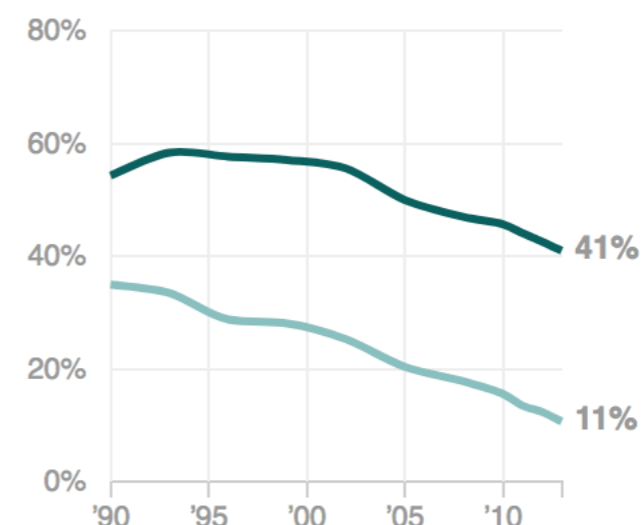
SOUTH ASIA



LATIN AMERICA/CARIBBEAN



SUB-SAHARAN AFRICA



DECLINE OF INEQUALITY

- ▶ World Bank identified 6 successful policies for decreasing financial inequality:
 - ▶ Early childhood development and nutrition
 - ▶ Universal health coverage
 - ▶ Universal access to quality education
 - ▶ Making cash transfers to poor families
 - ▶ Rural infrastructure (roads and electrification)
 - ▶ Progressive taxation

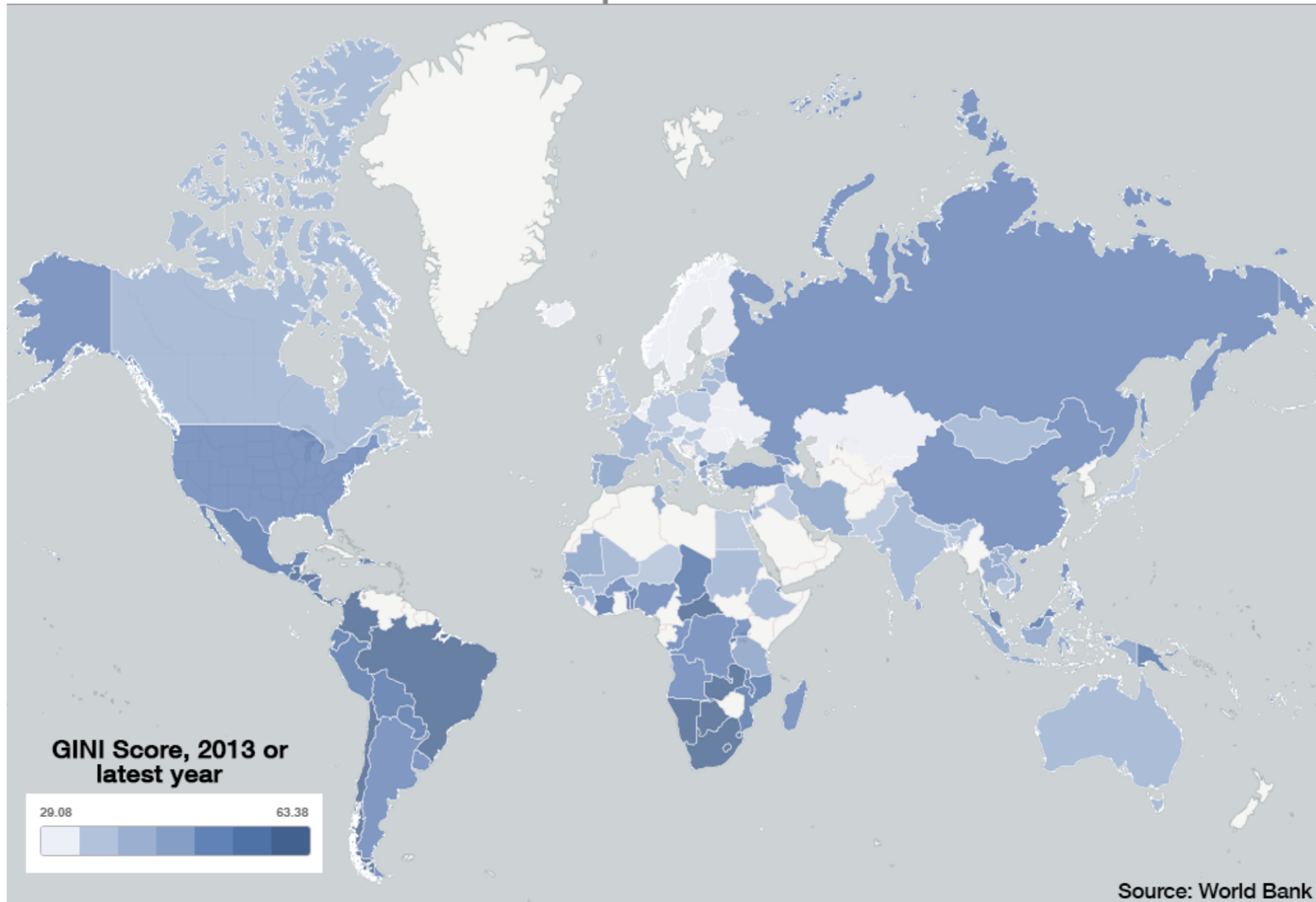
THE ROLE OF TECHNOLOGY

- ▶ Internet provides communities with access to education, jobs, and health care
 - ▶ Small and medium-sized enterprises able to reach global markets
- ▶ Simple technologies, such as solar lighting and water purification systems, helps communities access education and entrepreneurship opportunities
- ▶ Labor-saving technologies allow emerging economies to grow:
 - ▶ High rates of GDP growth in India, Vietnam, China, Bangladesh, Rwanda, and Ethiopia

SO WHY ARE WE TALKING ABOUT WEALTH DISCREPANCY?

Darker countries are more unequal

COMMITTED TO
IMPROVING THE STATE
OF THE WORLD



TRENDS IN WEALTH ACCUMULATION

- ▶ 2018 Oxfam International report found that 82% of the global wealth generated in 2017 was accumulated by 1% of the world's population
- ▶ In 2017, 42 people held as much wealth as the 3.7B poorest people
 - ▶ In 2016, it was 61 people
 - ▶ In 2009, it was 380 people
- ▶ In 2017, the bottom 50% of the world's population saw no increase in wealth
 - ▶ But a billionaire was created every other day

WHY IS THIS HAPPENING?

IMPACT ON HIGH AND MIDDLE INCOME COUNTRIES

- ▶ Total labor income as percentage of GDP in decline across developed nations
- ▶ From 1975 to 2015:
 - ▶ Drop from 61% to 57% in the US
 - ▶ Drop from 66% to 54% in Australia
 - ▶ Drop from 61% to 55% in Canada
 - ▶ Drop from 77% to 60% in Japan
 - ▶ Drop from 43% to 34% in Turkey

INEQUALITY IN AMERICA

- ▶ Families at bottom of wealth distribution are in debt as of 2013
 - ▶ Previously had no wealth in 1963
- ▶ In 2013, white families averaged \$500k more in wealth than non-white families
 - ▶ Difference was \$117k in 1963 (adjusted for inflation)
- ▶ Black families carry more student debt than white families
 - ▶ No notable difference in debt in 1989
- ▶ Asset limits for accessing welfare or federal programs very low (\$2k-\$3k) de-incentivizing saving

THE ROLE OF TECHNOLOGY

- ▶ Global labor force allows for international competition over jobs
 - ▶ Cost of labor and operations cheaper in other countries
- ▶ Labor-saving technologies impact blue-collar jobs
 - ▶ Switch to retail and home healthcare jobs, which pay less
- ▶ Intelligent automation impacts white-collar jobs
 - ▶ Bank tellers, insurance underwriters, loan officers, and case-file workers require knowledge of rules but jobs involve little decision-making

GROUP DISCUSSION: WHAT ARE THE IMPACTS OF INEQUALITY?

- ▶ On society?
- ▶ On the economy?
- ▶ On politics?
- ▶ On technology?

GROUP DISCUSSION: HOW DO WE ADDRESS INEQUALITY?

- ▶ How does technology help/hurt?
- ▶ What are the advantages/disadvantages of government programs and charities?
- ▶ How else can we approach this issue?

REFERENCES

- ▶ <<https://www.npr.org/sections/thetwo-way/2016/10/02/496099777/global-poverty-declines-even-amid-economic-slowdown-world-bank-says>>
- ▶ <<https://www.weforum.org/agenda/2016/01/is-technology-making-inequality-worse/>>
- ▶ <<https://www.weforum.org/agenda/2017/07/digital-least-developed-countries-inequality/>>
- ▶ <<https://www.theguardian.com/inequality/2018/jan/22/inequality-gap-widens-as-42-people-hold-same-wealth-as-37bn-poorest>>
- ▶ <<https://techcrunch.com/2017/03/29/is-technology-contributing-to-increased-inequality/>>
- ▶ <<https://www.cbsnews.com/news/the-corrosive-impact-of-the-wealth-gap/>>