



## Inequalities in Wealth - 'Geography Explained' Fact Sheet

**It is all too easy, living in UK or another wealthy country, to think that other people in the world live like we do. The figures in the box below may surprise students.**

If the earth's population was shrunk to exactly 100 people, and all proportions were kept the same, there would be:

57 Asians

21 Europeans

14 North and South Americans

8 Africans

6 people would possess 59% of the entire world's wealth and all 6 would be from the United States.

80 would live in substandard housing

70 would be unable to read

50 would suffer from malnutrition

1 would have a university education

1 would own a computer



## What is wealth?

How would you describe wealth? Is it having spare money in the bank? Is it having a lot of possessions? Is it having a high income? Is it a significant different between those who have higher or lower incomes? All of these are often seen as part of the **private wealth** of individuals. Some countries are also much wealthier than others. In these wealthy countries people have more opportunities, and they also benefit from **public wealth**. Public wealth, depending on tax revenues for government spending alongside individual incomes, can be seen in such things as good roads, good hospitals and schools, entertainment and recreation facilities. How do we measure the comparative wealth of countries? It is often measured by putting a value on the goods and services produced in a country. This is called the **Gross Domestic Product (GDP)**. When this figure is divided by the number of the population of the country, the **Gross Domestic Product per person** is calculated. Using this measure, the list in Table 1 has been drawn up.

**Table 1: World's richest countries**

| Rank | Country     | Gross Domestic Product per person |
|------|-------------|-----------------------------------|
| 1    | Luxembourg  | \$36,400                          |
| 2    | USA         | \$36,200                          |
| 3    | Bermuda     | \$33,000                          |
| 4    | San Marino  | \$32,000                          |
| 5    | Switzerland | \$28,600                          |
| 6    | Norway      | \$27,700                          |
| 7    | Monaco      | \$27,000                          |
| 8    | Singapore   | \$26,500                          |
| 9    | Denmark     | \$25,500                          |
| 10   | Belgium     | \$25,500                          |

*Source: CIA World Factbook*



## What is poverty?

How can we define poverty? Is it exactly the opposite to wealth? Is it just not having spare money, having few possessions and having a low-paying job. Or is it even more than these? Is it having no prospects or hopes of these, and having no chance of ever getting a permanent job? The gross domestic product can be used to rank the world's poorest countries, but just as with wealth, this is only part of the picture. Sometimes the figures in dollars only give part of the information. More is needed about the way people live in the countries to assess the level of poverty.

Table: World's poorest countries

| Rank | Country                | Gross Domestic Product per person |
|------|------------------------|-----------------------------------|
| 1    | Sierra Leone           | \$550                             |
| 2    | Tanzania               | \$550                             |
| 3    | Ethiopia               | \$560                             |
| 4    | Somalia                | \$600                             |
| 5    | Cambodia               | \$710                             |
| 6    | Congo (Democratic Rep) | \$710                             |
| 7    | Rwanda                 | \$720                             |
| 8    | Comoros                | \$725                             |
| 9    | Burundi                | \$730                             |
| 10   | Eritrea                | \$750                             |

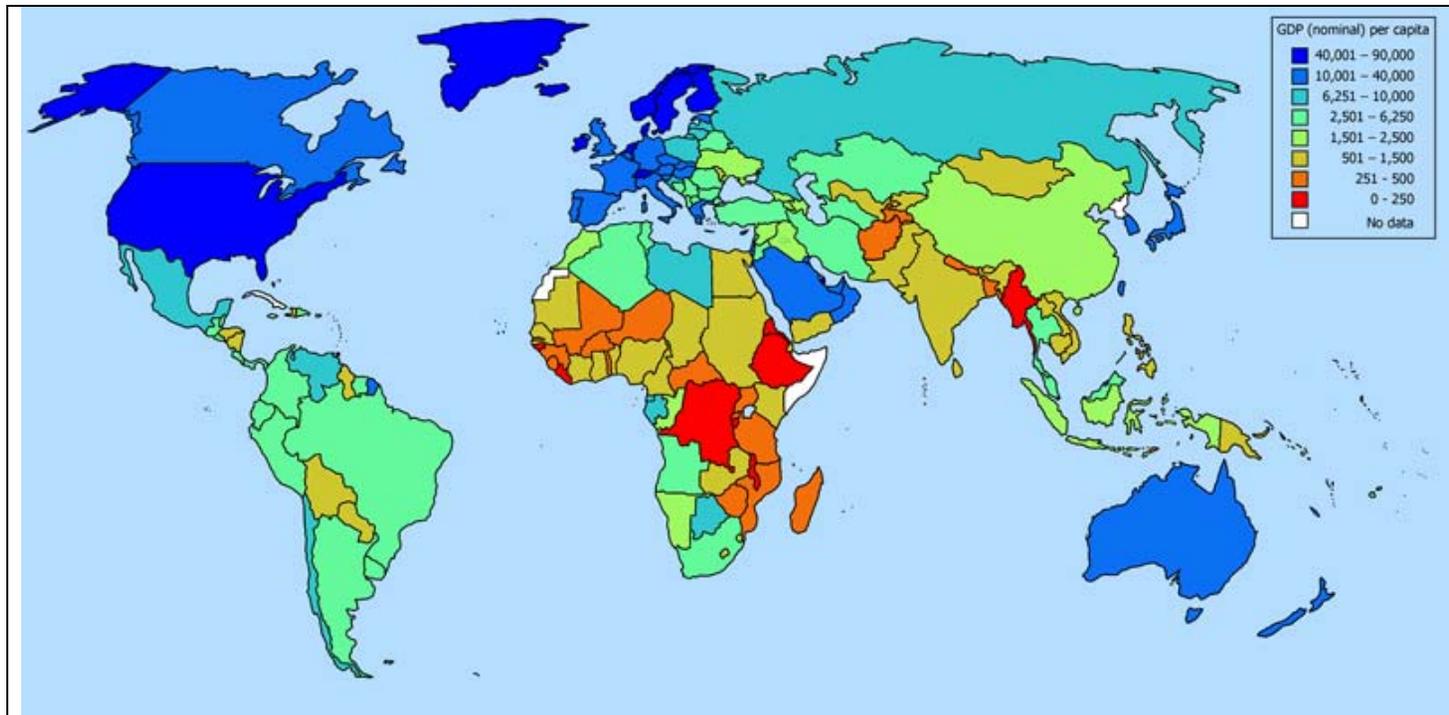
Source: CIA World Factbook

## World patterns of wealth and poverty

The tables above show the extremes of wealth and poverty. The level of wealth (measured in dollars) of other countries in the world is shown on the map below. This map shows that there is a very clear location pattern of rich and poor countries.



## World Map GDP per capita



### Indicators of wealth

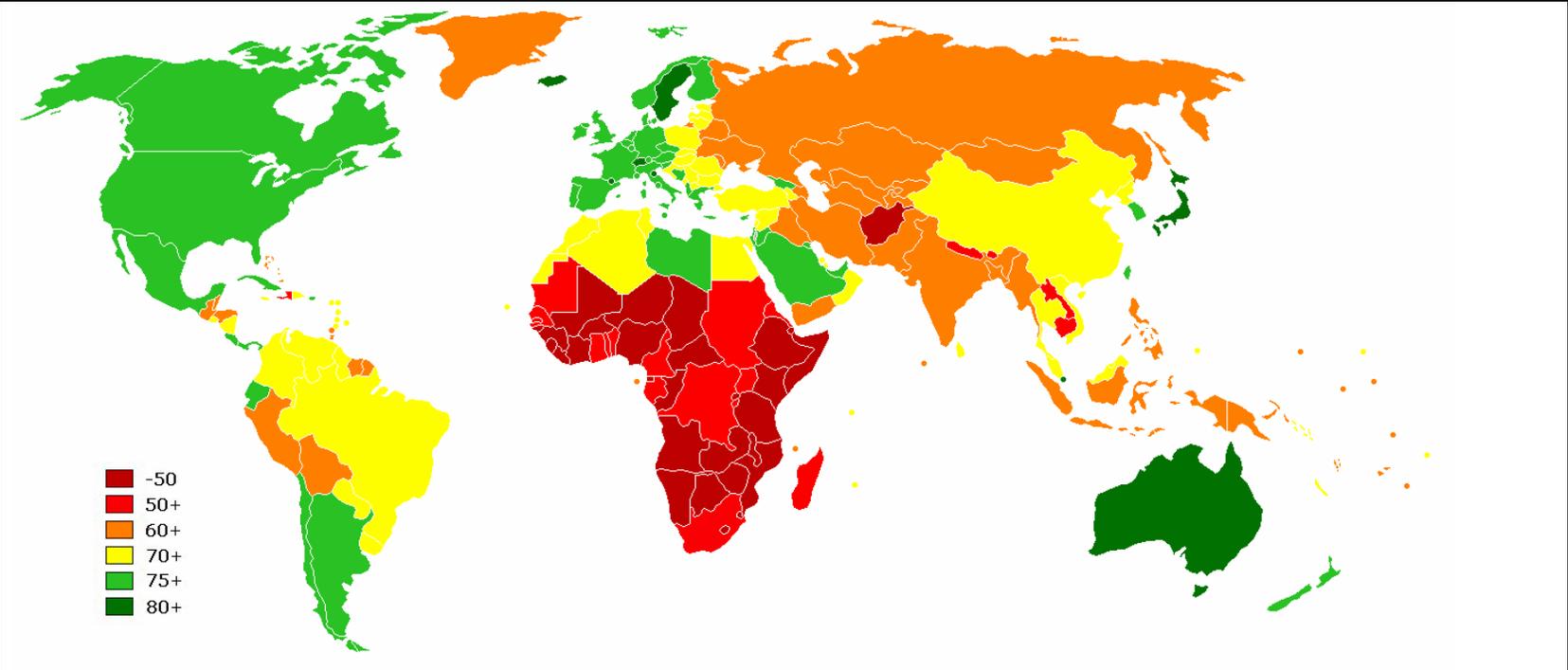
A better method of looking at the difference between rich and poor on a global scale world is to analyse people's access to basic needs of food, good health, and education.



### Health

Access to health facilities is a sign of a wealthy country. Providing doctors and hospitals is expensive. Therefore governments have to spend a lot of taxation money to finance health facilities. In poor countries this money is not available, and therefore there are less hospital beds, doctors and medical equipment. Besides the lack of medical resources, many poorer countries also have low levels of access to safe water - which can prevent many diseases. This means there may be a greater chance of becoming ill. The figures for life expectancy shown in the map below show this.

World map of human life expectancy, 2005



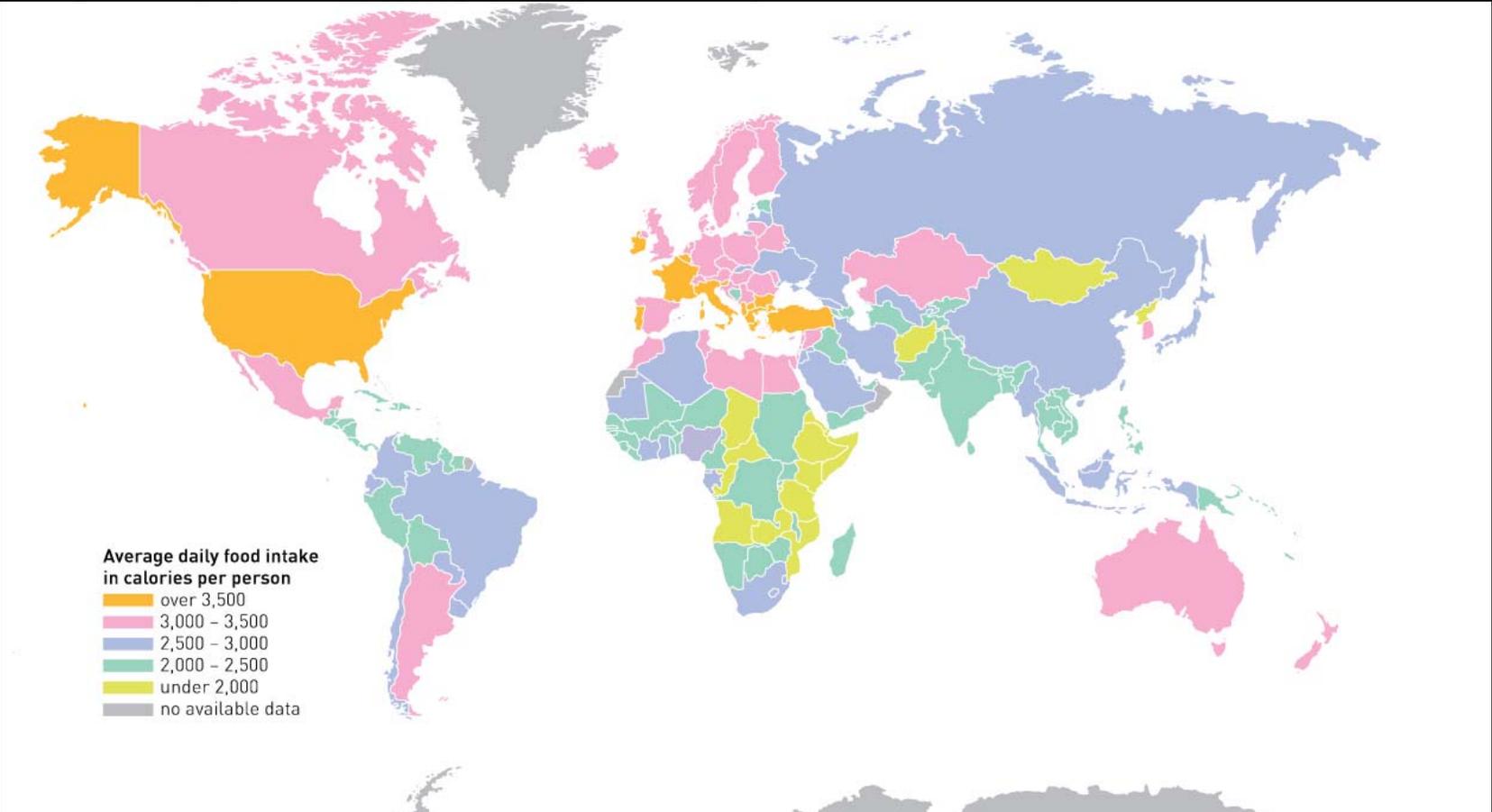
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**Food**

Having enough to eat is a basic need of all people. When measured as the calories (or kilojoules) per person, compared with the amount of food that is considered necessary for a basic diet, the differences between rich and poor countries become clear. (See the map below). But it is the quality of the food which leads to proper nutrition and good health. Many people in the poor world survive on poor food, a restricted range of food, and poor nutritional inputs. Ironically in many Western countries there are significant concerns about the impact of diet (and falling rates of physical activity) on growing levels of obesity.

**Average daily food intake in calories per person**



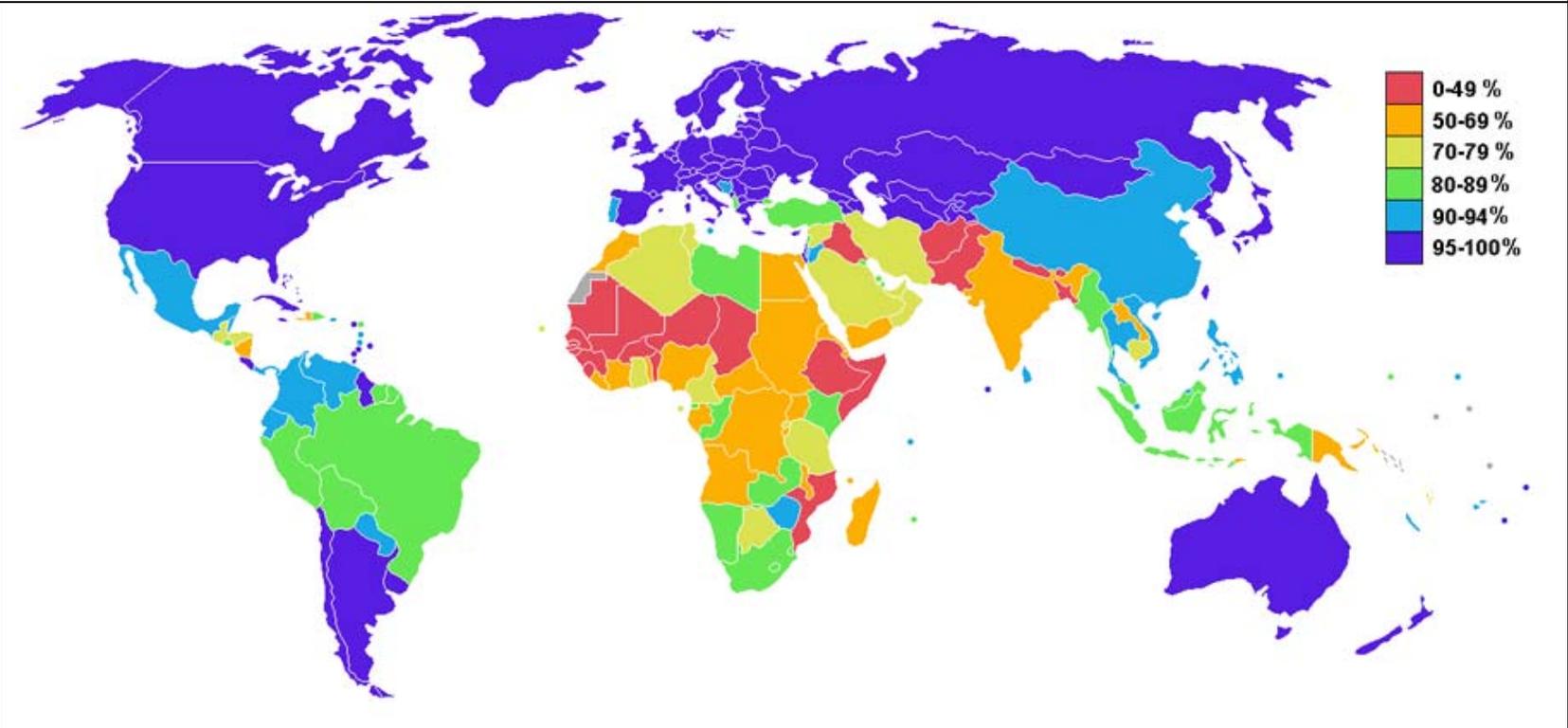


### Education

Children in wealthy countries have been reading and writing since they were 5 or 6 years old. Children in a poor country might never learn these skills. Children in UK probably also hope to get a good job as a result of their education. In the poorest societies this may be impossible. You would have finished all of your schooling after 6 years of it, if you were ever able to go to school at all. Around the world 115 million children still don't attend school.

The difference between education levels in countries is shown in the percentage of illiterate people. It can also be shown in the percentage of people who reach year 12 or go to university. The only way that education opportunities become available is by governments having enough money to spend on schools.

### World literacy rates





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| <p><b>Quality of Life</b></p>              | <p>The examples above show that wealth is not just made up of money. It is how the wealth is used by an individual, community or nation that influences each person's quality of life'.</p> <p>A wealthy community will have assets that many people can use. They include good transport systems, safe and plentiful water supplies or recreation facilities. Such benefits as these are available to all (or most) people in a community.</p> <p>Nations are made up of many different communities and individuals, and like them have services and assets which are available to the nation's citizens. A high quality education system, an extensive network of hospitals and other medical facilities, and effective police systems controlling crime, are all demonstrations of national wealth. However, different nations like individuals may choose to put their money to different uses.</p>   |
| <p><b>Where does wealth come from?</b></p> | <p>Monetary wealth comes from the production and use of resources. Resources are things that we use that satisfy wants and needs of people. Therefore, those people and nations who own large amounts of resources, and who develop these resources and sell them are those who become richer. The resources include things like minerals, water, good soil, land and climate (called <i>physical resources</i>), skills, labour and entrepreneurship (called <i>human resources</i>) and the equipment, processes and factories to use the resources (called <i>capital resources</i>). All of these resources can be used to generate wealth.</p> <p>The billionaires of the world have become wealthy by using and developing some of these resources, and by satisfying needs and wants of a population. Many of them have set up businesses or corporations which employ thousands of people and sell goods or services to millions of people.</p> <p>Their businesses develop resources and satisfy needs within four main sections of the economy:</p> <ol style="list-style-type: none"> <li>1. The <i>primary sector</i> deals with farming, fishing, forestry and mining.</li> <li>2. The <i>secondary sector</i> processes materials and manufactures goods</li> <li>3. The <i>tertiary sector</i> transports and sells goods and services, including both wholesale and retail selling.</li> <li>4. The <i>quaternary sector</i> deals with information. It includes the professions (like law, medicine and teaching), government workers and information networks.</li> </ol> |



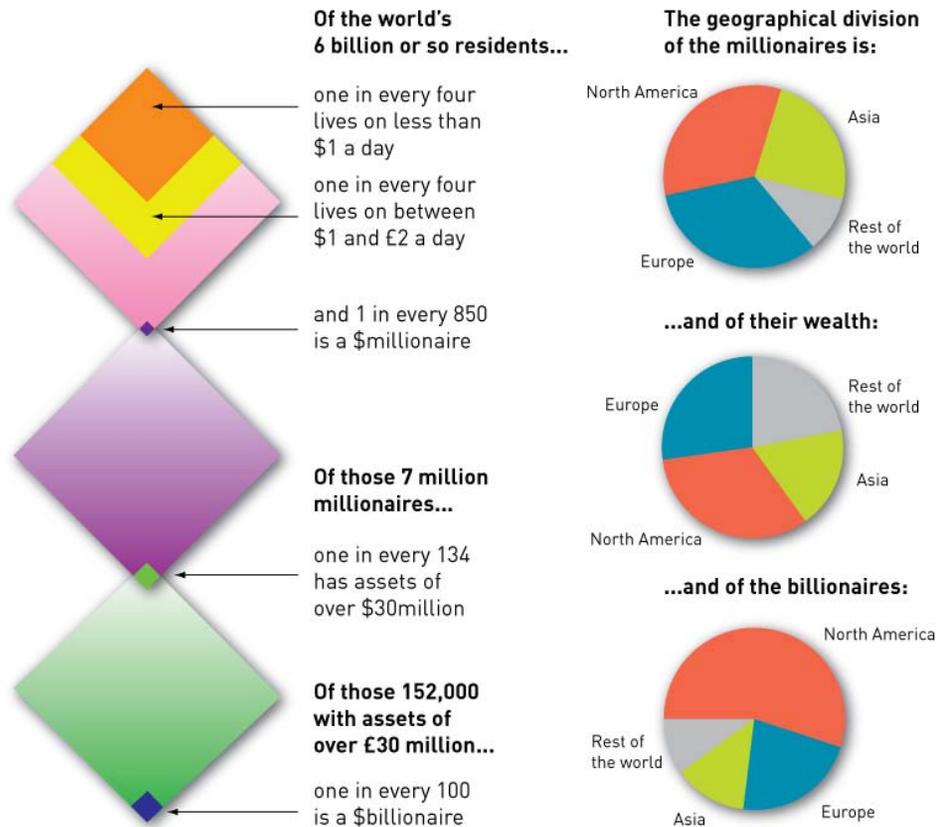
Goods, services and money flow constantly between these sectors and large corporations operate both within and across sectors.

| <p><b>Globalisation</b></p>   | <p>Globalisation is often used to refer to the increasing levels of financial and economic interdependence between countries. For example, financial systems are increasingly interdependent and economic activity may span many different countries from the production of goods to their eventual consumption in another country. The corporations developing the world's resources are increasingly connected on a global scale. It is common for us to purchase a car with parts made in 8 different nations. Brand names such as Coca Cola, Sony and Ford have factories, offices and employees in dozens of countries. Some of their income stays in these countries as pay to their employees, while some of their income is paid to shareholders in the wealthy countries. The power of control of such TNCs (Trans National Corporations) usually resides in wealthy countries. Some of these TNCs are so large that they control more assets and have greater incomes than some of the poorer countries of the world.</p> |             |                          |                  |         |                  |                |         |  |         |         |      |         |  |           |         |                  |         |  |           |         |     |        |  |         |        |      |        |  |          |        |         |        |  |            |        |  |  |  |  |  |  |  |  |  |
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| <p><b>Comparison of annual sales of selected TNCs with annual GDPs of selected countries.</b></p>     | <table border="1"> <thead> <tr> <th>Corporation</th> <th>Annual sales (\$million)</th> <th></th> <th>Country</th> <th>GDP (\$ million)</th> </tr> </thead> <tbody> <tr> <td>General Motors</td> <td>176,556</td> <td></td> <td>Denmark</td> <td>174,363</td> </tr> <tr> <td>Ford</td> <td>162,558</td> <td></td> <td>Indonesia</td> <td>140,964</td> </tr> <tr> <td>General Electric</td> <td>111,630</td> <td></td> <td>Venezuela</td> <td>103,918</td> </tr> <tr> <td>IBM</td> <td>87,548</td> <td></td> <td>Ireland</td> <td>84,861</td> </tr> <tr> <td>Sony</td> <td>60,052</td> <td></td> <td>Pakistan</td> <td>59,880</td> </tr> <tr> <td>Fujitsu</td> <td>47,195</td> <td></td> <td>Bangladesh</td> <td>45,779</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>   | Corporation | Annual sales (\$million) |                  | Country | GDP (\$ million) | General Motors | 176,556 |  | Denmark | 174,363 | Ford | 162,558 |  | Indonesia | 140,964 | General Electric | 111,630 |  | Venezuela | 103,918 | IBM | 87,548 |  | Ireland | 84,861 | Sony | 60,052 |  | Pakistan | 59,880 | Fujitsu | 47,195 |  | Bangladesh | 45,779 |  |  |  |  |  |  |  |  |  |
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| General Motors  | 176,556   |             | Denmark                  | 174,363          |         |                  |                |         |  |         |         |      |         |  |           |         |                  |         |  |           |         |     |        |  |         |        |      |        |  |          |        |         |        |  |            |        |  |  |  |  |  |  |  |  |  |
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|   |   |             |                          |                  |         |                  |                |         |  |         |         |      |         |  |           |         |                  |         |  |           |         |     |        |  |         |        |      |        |  |          |        |         |        |  |            |        |  |  |  |  |  |  |  |  |  |
| <p><i>Sources: Sales: Fortune, July 31, 2000. GDP: World Bank, World Development Report 2000.</i></p> |   |             |                          |                  |         |                  |                |         |  |         |         |      |         |  |           |         |                  |         |  |           |         |     |        |  |         |        |      |        |  |          |        |         |        |  |            |        |  |  |  |  |  |  |  |  |  |
| <p><b>Inequalities on a global scale</b></p>  | <p>It is estimated that the richest 1% of the world's population receives as much income as the poorest 57%. Approximately 25% of the world's population receives 75% of the total income. The gap between rich and poor on a global scale is widening. The ratio between incomes of the richest</p>  |             |                          |                  |         |                  |                |         |  |         |         |      |         |  |           |         |                  |         |  |           |         |     |        |  |         |        |      |        |  |          |        |         |        |  |            |        |  |  |  |  |  |  |  |  |  |



and poorest nations widened from 3:1 in 1820 to 70:1 in 2000. GDP per capita (see explanations later) has stayed the same in the least developed countries, but has increased the most in the richest nations. The relative numbers of millionaires and billionaires in each continent can be graphed. The graphic below uses a vivid method of demonstrating this.

**Relative numbers of millionaires and billionaires in each continent**





## Definitions

|                |  |
|----------------|--|
| PPP            | Purchasing Power Parity. This is a comparative measure of the cost of goods in different countries. It is often applied to a 'basket of goods'. The basket of goods contains a group of basic goods and services that are needed, and the comparison is often made between the numbers of hours needed to work to make enough income to buy this 'basket of goods' in different countries. |
| GDP            | Gross Domestic Product. This is the value of all goods and services produced within a country, usually over one year. It is often calculated as the sum of consumption + investment + government spending + exports – imports.   |
| GDP per capita | Gross Domestic Product per person. This is a more useful measure to Geographers, and is the GDP of a country divided by the total population. It is often used as a measure of the relative income of people within different countries.   |
| GNI per capita | Gross National Income per person. This is now used more frequently and has similar comparative values to GDP per capita and the now infrequently used GNP per capita.  |
| PQLI           | Physical Quality of Life Index. This is an attempt to measure the comparative quality of life in different countries. It is an index calculated from the literacy rate, infant mortality rate and life expectancy. Each is given an equal weighting and the PQLI is shown on a 100 point scale.  |