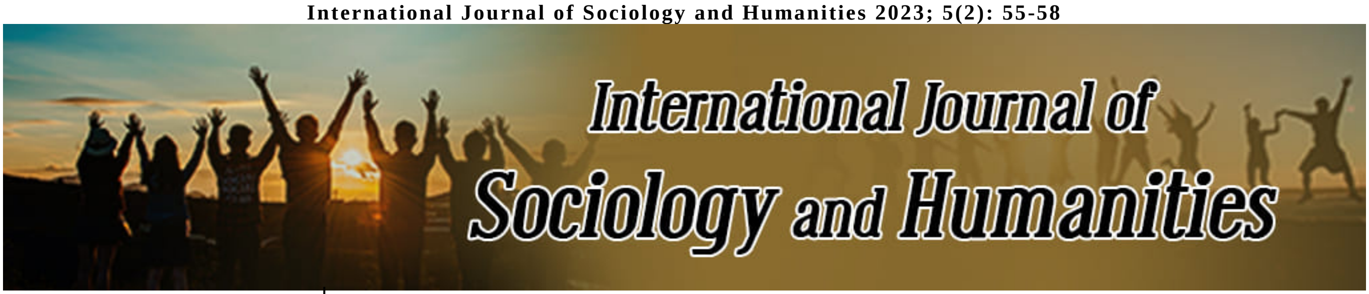
International Journal of Sociology and Humanities 2023; 5(2): 55-58



ISSN Print: 2664-8679
ISSN Online: 2664-8687
Impact Factor: RJIF 8
IJSH 2023; 5(2): 55-58
www.sociologyjournal.net
Received: 05-09-2023
Accepted: 08-10-2023

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Economic inequality and its impact on social well-being

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DOI: https://doi.org/10.33545/26648679.2023.v5.i2a.61

Abstract
The article explores the essence of economic inequality, considers specific consequences of economic inequality. The influence of economic inequality on the social well-being of the population on the example of "third world" countries is studied, possible ways of overcoming global economic inequality are investigated.

Keywords: Economy, economic inequality, social welfare, third world countries, population

Introduction
The relevance of the chosen topic is due to the fact that economic inequality in the modern world is an important and serious problem. The presence of economic inequality significantly complicates the life of the population living in the so-called "third world countries" and, consequently, negatively affects the well-being of the local population. To overcome economic inequality it is necessary to search for new ways of development of the world economy.
The purpose of this study is to examine the impact of economic inequality on social well-being.
In connection with this goal, the following objectives were set:
- Examine the nature of economic inequality,
- Explore the causes of economic inequality,
- Explore the relationship between economic inequality and social well-being of the population.

The object of the study is the phenomenon of economic inequality.
The subject of the study is the impact of economic inequality on the social well-being of the population.
Hypothesis of the study: economic inequality has a negative impact on the social well-being of the population.
The study was conducted on the example of "third world" countries (developing countries of Africa).

Literature review
Economic inequality is an important and relevant issue that researchers have been dealing with for a long time. In particular, in the eighteenth and early twentieth centuries, foreign researchers A. Smith, D. Riccardo, E. Reclue, K. Marx and F. Engels studied this issue. In the twentieth century, the problem of economic inequality was considered in the context of another problem - the problem of poverty in developing countries. In this context, the problem of economic inequality was studied, in particular, by F.A. Hayek and P. Townsend.
A. Smith was one of the first to study the problem of economic inequality. The researcher believed that economic inequality is the main cause of poverty and social shame caused by the inability to meet generally accepted material standards. In the nineteenth century, a link was established between economic inequality and the level of income of the population, as well as the degree of satisfaction of basic needs of the population related to maintaining an acceptable level of health and human performance.

Modern researchers view economic inequality as an unambiguously negative phenomenon that inevitably leads to an increase in the number of people below the poverty line and, consequently, to social problems.

Concept and essence of economic inequality

In modern science, economic inequality is defined as the unequal distribution of wealth and resources among people who belong to different communities, groups or (on a global scale) different countries. In particular, economic inequality divides developed and developing countries (the so-called "Third World" countries, most of which are located in Africa and Asia). Increasing economic inequality contributes to the polarization of society - the widening gap between the income levels of the rich and the poor. In other words, with the growth of economic inequality, the assets and incomes of the rich population grow, while those of the poor continue to decrease [1].

There are different types of economic inequality. In particular, researchers distinguish such varieties of economic inequality as wealth inequality, wage inequality, income inequality. To measure economic inequality, the Palm coefficient and the Gini coefficient are used. The growth of economic inequality quite often leads to an increase in the debt burden, as well as to a deterioration in the standard of living of the population, deterioration of public health, increase in mortality and aggravation of such serious social problems as crime, unemployment, financial instability of the population.

Causes of economic inequality

The widening gap in economic status among members of society is due to the unequal nature of existing social exchanges.

In the norm, inequality exists because citizens under the influence of various factors cannot be in the same socio-economic position. This is due to the level of wages and place of work, traditionally existing situations in which individuals are, their personal characteristics and opportunities, and other reasons [4].

Economic inequality affects the economy in two ways. With normal inequality there can be active socio-economic development, progressive economic growth, increase in the number of social programs. With excessive inequality, the influence of destructive factors is manifested, which negatively affect the public mood and restrain economic growth.

The formation of greater differences in the standard of living of individual groups of society occurs when the permissible degree of inequality is exceeded. This leads to the emergence of social tension, and is a determining factor in the violation of the stability of the social system and the development of social conflicts [3].

In general, the following causes that exacerbate economic inequality can be identified:

- Economic and financial crises;
- A negative manifestation of globalization;
- Decrease in the value of the national currency;
- Rising inflation;
- An increase in unemployment, of any type other than natural unemployment;
- Unjustified reduction of wage levels when prices are stable or rising;

Excessive disparities in the income of the population, leading to a narrow circle of rich members of society and a large number of poor;

- An increase in the share of people living below the poverty line in the entire population;
- Low birth rate and high death rate;
- Narrowing of the sphere of free services in the branches of social sphere and inaccessibility of quality paid services for the population;
- Institutional reasons.

Growing poverty, declining incomes of the population together with deepening inequality "brake" economic growth, make it impossible: lower incomes reduce demand, which reduces the scale and volume of production.

Empirical study

During the analysis of statistical data, we conducted a study of the reasons for possible lagging behind in the economic development of the "Third World" countries and found out that the main reason for the economic lag of this category of countries is the non-harmonious development of sectors of the national economy. This disharmonious development is caused, first of all, by the fact that these countries, unlike the developed countries, have not passed successively all stages of economic development. Most of the countries of the "Third World" are characterized by weak development of the market mechanism. First of all, it is caused by the fact that agriculture is in a routine state. Agricultural enterprises in most of the "third world" countries create not more than 40% of the GDP. Industry is also at a low level of development. In this regard, the population has low purchasing power [2].

Most of the national capital in the Third World is concentrated in commerce. Much attention is paid to trade in imported products, while investments in national production are negligible due to the high level of risk. In general, the economies of the Third World countries are characterized by underdevelopment of production, services, transport, communication systems, electricity. In this regard, developed countries do not invest in the local economy, and the "third world" countries live only at the expense of their internal funds, which they have rather scarce.

The demographic situation also has a negative impact on the economy. In the "third world" countries the population is growing at a high rate, due to which the low level of income remains. Consequently, the purchasing power of the population is not growing. The population is growing, while agricultural productivity remains low. Because of this, there are not enough resources to meet all the natural needs of the local population. In the world "third world" countries are on the periphery, developed countries perceive them as permanent suppliers of raw materials and unskilled but cheap labor [6].

In addition to the above-mentioned factors, the so-called policy of etatism, which consists in the active intervention of the state in the economy, while the state is guided by the intention to accelerate the growth rate of the economy, contributes to the strengthening of economic inequality. Due to the lack of private investment, the state assumes the role of an investor. Only in some developing countries the development of the private sector is stimulated by additional support measures (tax exemptions, liberal treatment of imports, protectionism towards private enterprises of priority importance).

Finally, another important reason for the economic "gulf" between developed and developing countries is the huge external debt. Currently, 80% of the debt of the poorest countries in Africa is in favor of IFIs. Such countries as Congo, Cameroon, Gabon, Côte d'Ivoire and Gabon are in a particularly difficult situation due to the large amount of external debt [5].

At the same time, developed countries often use the debt of developing countries for blackmail. For example, France, when lending money to Cameroon or Gabon, uses funds from transactions that were made with the accounts of the central banks of these countries in the French Treasury, and these accounts mostly consist of the external assets of these countries. When African countries turn to France for assistance, France reuses its funds and raises the interest rate unreasonably. A possible solution to this problem and a step towards overcoming economic inequality could be the creation of an alternative to the Monetary Fund - a Third World fund that could cooperate with countries that are indispensable partners of the West (Korea, India, Venezuela).

To identify the impact of economic inequality on the social well-being of the population, a study of statistical data for 2020 - 2022 was conducted on such important indicators of social well-being as crime, unemployment and financial instability of the population. Two groups of countries were taken for comparison: developed countries (Germany, France, UK, Spain) and developing countries (Gabon, Cote d'Ivoire, Cameroon, Mozambique). A comparison of the increase in crime, unemployment and population below the poverty line in the two groups of countries is presented in Figure 1.

In this figure, we can see that in 2020-2022, the growth of unemployed population, the growth of population below the poverty line and the growth of crime in developing countries are more intensive than in developed countries. At the same time, the number of people living below the poverty line increased the fastest in developing countries. Therefore, we can conclude that the hypothesis is confirmed: economic inequality has a negative impact on social well-being.

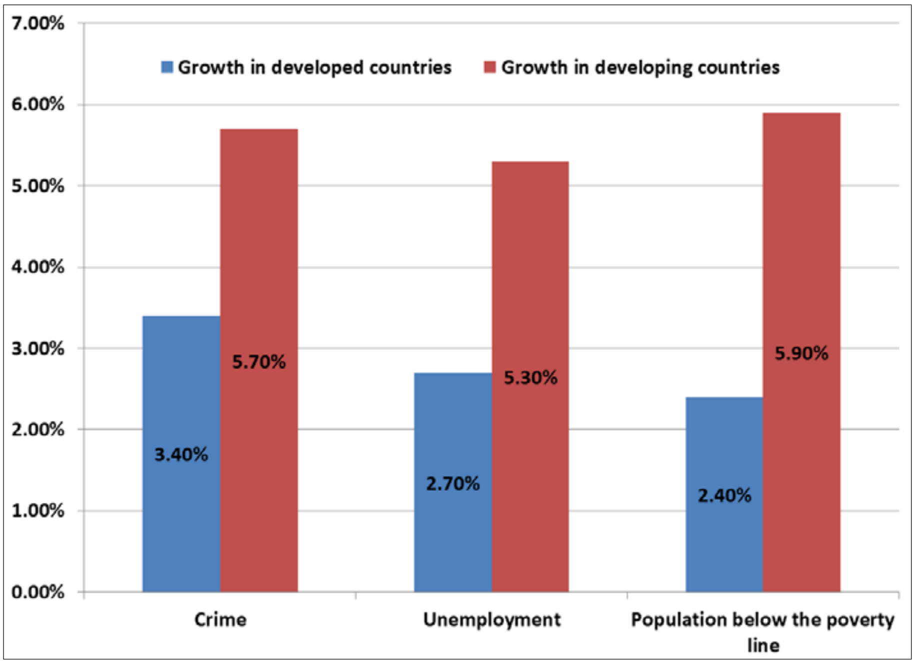

Fig 1: Comparison of the growth of crime, unemployment and population below the poverty line in the analyzed countries in 2020 – 2022

Conclusion and Discussions

Thus, in the course of the study we found out that in the process of socio-economic development in modern conditions, the economic inequality of developed and developing countries is gradually increasing. This is expressed in the fact that the economies of developed and developing countries are growing at different rates, the modernization of the economy and the development of the national economy also occurs at different speeds. The main socio-economic strategies of modern «third world» countries (Poor African countries) are to transform the traditional economy, to integrate into the world economy, to actively participate in the international division of labor. In order to achieve these goals, most African countries are currently pursuing industrialization on an import-substitution or export-oriented model.

The implementation of a particular strategy largely depends on the role played by the state in the economy of a particular developing country, as well as on whether the state is able to mobilize domestic resources of the country, increase savings and attract foreign investors for the rapid modernization of the traditional economy. At present, in most African countries of the "Third World" the main element of the socio-economic structure is small-scale production, which provides citizens with goods and services, forms employment and mass demand of the population. The formation of socio-economic processes in the countries of the "Third World" is formed to a large extent under the influence of the world economy; this phenomenon is caused by the development of scientific and technological progress and its spread from the center to the periphery, as well as the priority importance of international trade.

Funds from inter-State development assistance programmes and international financial organizations, as well as private foreign capital, have expanded the financial and technical resources of developing countries. At the same time, limited

efficiency in the use of borrowed funds and rising external debt repayments have become a constant factor complicating the socio-economic situation.
What makes the global poverty problem particularly acute is that many developing countries, due to their low income levels, do not yet have sufficient opportunities to alleviate poverty. This is why broad international support is needed to address the economic inequalities of the Third World and related social problems.

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