8. Globalization and distribution
8.4

Billionaires and global inequality

Does an increase in one indicate an increase in the other?

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Inequality is an inherent feature within the capitalist world-economy as capital is accumulated through the process of exploitation, both between nations and within nations. Global inequality is the sum of these two types of exploitation: within-nation inequality and between-nation inequality. Wealthy nations (the core) exploit poorer nations (the periphery). The bourgeoisie (those with enough capital to employ waged labour) exploit the proletariat (those wholly dependent upon waged labour for their existence) (Terlouw 1993). Although exploited within their own state, the proletariat in wealthy nations benefit from the exploitation of the proletariat in poorer nations due to the creation of redistributive welfare regimes and the availability of cheaper goods and services, which allow them to enjoy a higher material standard of living than would otherwise be possible (Chase-Dunn 1989; Terlouw 1993).

Between 1992 and 2007, the world-economy experienced a prolonged period of growth during which the economies of several semiperipheral countries, notably China and India, became more closely integrated into the world-economy. China and India account for more than one third of the world’s population, therefore, the dramatic growth in the GDP of China (700 percent) and India (380 percent) placed downward pressure on the between-nation component of global inequality. On the other hand, the marketization of the previously planned economy of China and the liberalization of the economy of India resulted in dramatic increases in within-nation inequality. For example, between 1991 and 2007, the Gini coefficient increased from 0.300 to 0.410 in China (OECD 2010). The increase in within-nation inequality that accompanied the closer integration of these two large nations into the world-economy highlights the process of exploitation inherent in capitalist economies. The exploitation of the proletariat in India and China benefited both the wealthy elites in these two nations and the proletariat in core nations (through the availability of cheaper manufactured goods and cheaper services).

The examination of trends over time in income inequality on a global scale is particularly difficult due to the paucity of suitable data. Although income data has been collected on a systematic basis in wealthy core countries for decades, income data from peripheral and semiperipheral countries is less consistent. For example, income data allows for the comparison of the P90:P10 ratio (the income earned by those in the top 10 percent of the income distribution compared to the income earned by those in the bottom 10 percent of the income distribution) over time. The P90:P10 ratio allows researchers to determine whether increases in national
income have been shared more or less evenly or have contributed to increasing polarization of incomes as those in the top decile take a disproportionate share.

One indicator of changes in the within-nation and between-nation components of global inequality that has not yet been explored is the distribution of billionaires. Billionaires are arguably an indicator of the concentration of wealth within the global economy. They represent the global elite: the winners in the capitalist world-economy, an economy which gives “priority to the endless accumulation of capital” (Wallerstein 2004). It would appear that the extended period of growth and the integration of post-communists states into the world-economy has been accompanied by a rapid increase in the number of billionaires.

Between 1996 and 2010, the number of billionaires in the world-economy increased from 422 to 1011, with much of this growth being concentrated in the United States, United Kingdom, India, Russia, and China. Increases in the number of billionaires per capita could provide an indicator of increasing polarization of incomes within particular nations. For example, increased exploitation of the proletariat in these economies may have resulted in the wages share of national income declining and the profit share of national income increasing. Increasing profits translate into increased wealth for the owners of capital, giving rise to an increase in the number of billionaires.

Changes in the distribution of world billionaires could also provide an indicator of changes in between-nation inequality. In 1996, there were no billionaires residing in either Russia or China, however, in 2010 there were 70 billionaires in Russia and 72 in China. By 2010, the number of billionaires per capita in Russia exceeded that of Germany, France, Italy, and Japan. The declining proportion of world billionaires residing in core economies and the increasing proportion of world billionaires residing in emerging economies located in the semiperiphery, may signal a shift in wealth from the core to the semiperiphery as the wealthy elite in the emerging economies become less reliant on capital investment from the core and are thus able to retain a greater proportion of the economic surplus they extract from their proletariat. It may also signal that these emerging economies are moving closer to the core as their wealthy elites look for stable investment opportunities for their billions, or even, perhaps, the development of a new core.

References