# The Widening Gap between Rich and Poor Countries

By

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It is a very disturbing fact that the gap between the rich and poor countries is widening day after day. It is also one of the important reason for world's tensions. The per capita income disparity between rich and poor nations has continued to widen in the last twenty or thirty years. To-day the average percapita income of the developed world is \$ 2,400 compared to \$ 180 in the develping countries. The gap has widened to \$ 2,220. It is expected to widen by another \$ 1, 100 very poor. And all the present indications are that the gap will continue to widen and the rich nations will continue to become richer, despite the various promises made by the rich nations contrary to it.

The 2/3 of the world population live in the countries of Asia, Africa and Latin America. In these countries 66% of world population live whose share in the gross world product was only 12.9%. On the other hand in North & Central America, Europe, Australia New Zealand and Japan and South Africa, have 33.9% of the world population and their share in Gross Nation Product is as much as 87.1%. This clearly shows that international inequality is widening.

According to other estimate the income gap between the developing countries has increased from \$ 2,700 to \$ 40000 during 1962 to 1974 while the income disparity between the poorest (below \$ 200) and other developing countries above \$ 200 also went up during the same period from 320 to \$ 625.

The rich countries now have a large base of income, so that even if the poor countrieswere to grow at a muchhigher rate than the rich countries, the absolute gap in percapita income would none the less still widen between the rich and poor countries (A 10% rate of growth in a percapita income of \$ 200 gives an increase of income of only \$20, where as a rate of growth of only 2% of percapita income of \$ 2000 gives an in crease of \$ 40).

Not only that we must also consider that the problem of international inequalities is further aggrevated by the fact that the internal distribution of income within a poor country also tends to be highly unequal. The income shares of the very top ordinal groups are higher, even though the share for the low ordinal groups are not significantly lower. The wide disparity between the low income of the lower 90 or 95% and the relatively high income of the top 10 or 5% is a problem which should attact more attention now.

Poverty can co-exist with affluence and the poor can proliferate while production, GNP rises Even as global grain production, which supplies three fourth of the human energy needs, rises death due to starvation is also taking place time in various part of the world.

In the third world after three decades of development, the achievements are quites negligible in these countries percapita income has increase less than $ 1 for the last 20 years. Even this increase has been unevenly distributed with the poorest 40% of the population hopelessly squeezed in its struggle for existence and some times getting even less than it received twenty years ago.

A major problem for any country undertaking a development programme is to determine whether policy measures designed to correct the extremes in domestic inequality will also facilitate or impede efforts to achieven a high rate of development. Realising the dangers of growing inequality and the significance of accelerated rate of growth, the UN General Assembly passed a resolution no. 1710 (XII). The objective was to......"accelerate progress towards selfsustaining growth of the economy of the individual nations and their social advancement so as to attain in each under developed country a substantial increase in the rate of grwoth with each country setting its own target, talking as the objective a mlnimum rate of growth of aggregate national income of 5% at the end of decade."

The quantitative objective of the resolution was to achieve a minimum rate of growth of aggregate national income of 5% in all or at the very least, the great majority of the under developed countries by at least 1981. The growth rate of national income of all under developed countries was about 3.5% per year. The immdiate task therefore was to raise this growth rate during the following years by perhaps 1.5% and to increase this rate by a futher 1.5% to over 6% per annum at the end of the decade.

All these facts lent an air of coutions confidence in the feasibility of the basic objectives of development decade. The very fact that these objective have not been fully realised despite the progress made during the development decade is an indication that the tasks they set were formidable.

The development strategy for the seventies 1971-81 designated as the second development decade, has been under discussion in U.N.O. The new development strategy was regarded as a step in the right direction if it is accepted,earnestly by a number of most important government and by the general Assembly While the main aims are of a multiple character, with important social elements in it the most important single feature representing the set of aims is the rate of growth in the real product of the developing world. This is so since production is the source of financing social measures, since production implies elements such as food, housing, educational and other social services and also employment depends directly on the volume of production envisaged, and since a more equal income distribution can be more easily attained from a high than from a low average income.

For the acceleration of development, the DPC (Development Planning Committee) Suggests an average rate of growth of the developing world as a whole at 6 or 7% per annum over the decade and per capita income at 3.5 to 4.5% rate by 1980. The DPC basis its figure on three regional figures, namely 6 to 7.5% for Latin America 4.5% to 5% for Africa and 6 to 7% for Asia. The ESCAP report mentions figures of around 6% per annum and India 7% for Pakistan and 5% for Indonesia.

This proposal take into account several factors supposed to be relevant. A factor common to all is the agricultural break through caused by the spread of the new wheat for rice varieties the use of more fertilizer and more water for Pakistan the growth rate postulated for the last year of the third five year plan was supposed to be attainable. It amounted to 7% to India and increased pay off on industrial investments of the past, better access to the markets of developed countries and more financial transfers are supposed to enable the country to reach the 6% grwoth rate within this decade.

The rate of growth of developed countries was 4.8%, while that of under developed countries was practically stationary at 4 to 4.5%. This decade of development failed to raise the under developed countries rate of growth. With the result not only did the tremendous absolute gap but also huge one in income per head (1:40) started widening again.

Even GNP is not the sole barometer of economic health Some UN agencies including the IMF and FAO have recently made it clear in their reports higher production may not necessarily mean an end to proverty.

Investment in luxury items may push the GNP growth rate But not life style of the poor which is evident with rising individual income disparity for instance in one of the biggest state of India i.e. UP, the average income of Eastern UP is placed at 14 paisa a day where as per capita average GNP is Rs 1200 per annum ($150).

It has been felt that international market market mechanism is weighted heavily against the interests of the poor nations and that they are often denied an equality of opportunity, much the same way as the poorest sections of society are within the national order.

People of under developed countries are preturbed about the unequal relationship between the rich and the poor nations and this issue is becoming the main issue of out time Many international conferences are proving to be failure on account of this better issue.

Now the poor nations are beginning to question the basic promises of an international order which leads to ever widening disparities between the rich and the poor countries and to a persistent denial of equality of opportunity to many poor nations. They are, in fact arguing that in international order just as much as within national orders-all distribution of benifits credits services and decision making becomes warped in favour of a privileged minority and that this situation can not be changed except through fundamental institutional reforms. This thinking appears to under lie their demand for a new international economic orders.

When this particular thing is pointed out to the rich nations they dismiss et casually as empty slogan, rhetoric, of the poor nations. Their standard answer is that the international market mechnism works, even though not perfectly, and that the poor nations always out to wring concessions from the rich nations in the name of past exploitation. They believe that the poor nations are demanding a massive redistribution of income and wealth which is simply not in the cards. Their general attitude seems to be that the poor nations mnst earn their economic development, much the same way as the rich nations had to over the last two centuries, through patient hard work and gradual capital formation and there could not be any short cuts to economic growths process and no rhetorical substitutes. The rich however, are generous enough to offer some help to the poor nations to accelerate their economic development if the poor are only willing to accept their generosity.

But here we have to consider again this question, does the present world economic order is mere empty rhetoric against imagined grievances, as the rich nations claim.

There are really sufficient concrete evidence to show that poor nations cannot get an equitable deal from the present international economic structures much the same way as the poorest sections of the society within a country and for much the same reasons. One there are major disparities in income distribution within the country the market mechanism ceases to function either efficiently or equitably since it is weighted heavily in favour of the purchasing power in the hands of the rich. Those who have the money can make the market bend to their own will or favour. This is also applicable to international economic order as well since there is no world government and none of the usual mechanisms existing within countries which create pressures for redistributions of income and wealth.

Barbara ward is of the view that to rely solely on the market system has wider consequences for society in general and for resource use in particular. The capacity to sell to have responsive buyers, become the overriding creterion for producing goods. This raises a number questions. Production is geared to those who can effectively buy. Internationally, that means richer countries rather than poorer countries, and nationally it means middle and high income groups rather than the poorer people within most developed society, social mechanism-public ownership, redistributive income tax, welfare schemes, social insurance try to offset this trend. No such institutions are at work at the world level nor in a number of developing countries. In such conditions, market mechanisms are linked, by their own logic to the affluent, making resources available to those who can buy them and not necessarily to those who need them. This fact generates a series of backward linkages. It determines the nature of the technology needed to maintain the consumption of the more affluent. It guides the allocation of resources in research and development. This in itself creates a demand for certain types of professional know how rather than for others.

It is being increasingly realized that economic growth does not automatically filter down to the poorer section, of thesociety, that the distribution of credit investment resources and public and private services gravitates toward the richest sectors unless there is a consciousintervention on the market by the government, that equality of opportunity cannot automatically be ensured when wast in equalities in the distribution of income and wealth prevail that the assenc of new development states in sucq a situsticns is to make resources in abd apportunities avaible to increase the productivity of the poor on a permanent basis, not to place the poorest people on a short term dole, that fundamental institutional reforms are required to remedy the situation not marginal adjustments in the prize systems.

It is a strange that at times some of the developed countries which so eagerly advacate the new development stategies to the developing countries, suddenly develope a case of protection when it comes to a discussion of a new economic order at the international level.

And yet the poorest nations within the international community face many of the same crippling handicaps as do the poorest people within a nation. The world economic growth does not automatically filter down to these nations. There initial poverty becomes a major handicap in obtaining either short term credit or long term investment resources as they are regarded uncredit worthy. All international machanisms, structures and decision making get mortgaged to the interest of the rich nations. The income disparities between the poor and rich nations, in such a situation are bound to incresae unless a conscious attempt is made by the international community to reduce them.

The prevailing disparities are creating major hurdles for the poor nations in carrying out there own development programme and are denying them the basic equality of opportunity to which they ought to be entitied.

Third world countries offen usc the argument of instability of commodity prices and worsening terms of trade to illustrate their uncertain plight in the present world order. Third world needs higher exports earning not only more stable earnings. Worsening terms of trade and commodity price instability are not root cause of the problems but it is merely a sign that third world countires are at a considerable disadvantage and which require institutional reforms.

The important reason responssible for inequality and widening gap between Rich and Poor countaries is the international and economic structures and mechanism which put these poor countries at a considerable disadvantage and which require change in the present economic setup.

To-day there is tremendous imbalance in the distribution of international resources. The poor nation with 70% of the world population received less than 4% of the international reserve, of one $ 31 billion during 70-74. Simply because the rich nations controlled the creation and disburtion of international reserve through the expention of their own national reserve currencies (mainly dollar and sterling) and through their decisive control over the international monetary fund. For all practical purposes. The U.S.A. has been the control banker of the world in the past world war II period and it could easily finance its balance of payments defecits by the simple divice of expanding its own currency. In other words the richest nation in the world has had an unlimited access to international credit facilities since it could create such credit through its own decisions. Britain and Germany have enjoyed some of this privileges at various time. But this is not true of the developing countries which could either create intetnational credit through their own deficit financing operations nor obtain an easy access to this credit because of this absence of any genuine international currency and because of their limited quotas in the fund. The heart of any economic system is its credit structure. This is controlled entirely by the rich nations at the international level. The poor nation merely stand at the periphery of international monetary decisions.

Secondly the distribution of value added in the products traded between the developing and developed countries is heavily weighted in favour of the later. The developing countries unlike, the developed ones receive back only a small fraction of the final price that the consumers in the international market are already paying for their produce let us suppose the consumers of the poor nations pay over Rs. two hundered billion for the final products but receive back only rupees 30 billion by selling its goods with rich countries.

The rich countries have the resources and the resources and the necessary bargaining power to control the various phases of their production, export and distribution If the poor nations had been able to excercise the same degree of control over the processing and distribution of their exports as as the rich nations do then their export earning from their primary commodities wold becloser to Rs 1350 billion (S 150 billion)

Thirdly the protective would well erected by the developed countries prevents the developing world from receiving its due share of the global wealth. The rich nations are making its increasingly impossible for the free international market mechanism to work As Adam Smith has said the free market mechanism is the free movement of labour and capital as well as of goods and services so that rewards to factors of productions are equalized all over the world. In fact world inequalites can simply not persist in such a frame work. But immigration laws in almost all rich nations make it impossible for any large scale movement of unkilled labour in a world-wide in search for economic opportunities (except for a limited brain drain of skilled labour); not much capital has crossed international boundries both because of poor nations sensitivities and the rich nations own needs, and additional barriers have gone up against the free movements of goods and services e.g. over dollor 29 billion in farm subsidies alone in the rich nations to protect their agriculture and progressively higher tariffs and quotas against the simple consumer good exports of the developing countries like textiles and leather goods. The rich are drawing a protective wall aroung their life styles telling the poor nations that they can neither compete with their labour nor with their goods, while paying hand some tribute at the same time to the free working of the international market machanism. Rich countries can show such discrimination, the poor can not by the very fact of their poverty. They are in need of foreign exchange earning desperately just in order to survive and to carry on a minimum development efforts and they can hardly afford to put up discrimenatory restrictions against the capital good imports and technology of the westren world.

Fourthly another area in which the unequal bargaining power of the poor and the rich nations shows up quits dramatically is the revelation-ship between multinational corporation have negotiated in the past with the developing countries reflect a fairly in equi able sharing of benefits. In many cases the host government is getting only a fraction of the benefits from the exploitation of i.s own national resources by the multinational corporations. For instance Mauritanias gets about 15% of the profit that the multinational corporations make from extracting and exporting the iron or deposits in the country. Similarly in liberia the foreign investors export nearly one fourth of the GNP of the country in terms of their profit remittances such examples can be multiplied. In fact, it would be useful to tabulate all the concessions contracts and leases which have been negotiated between the multinational developing conutries and to present to the world an idea of what the present sharing of benefits is between host govt. and multinational corporations in case after case.

Fifthly we can say that the poor nations have only a nominal participation in the economic decision making of the world their advice is hardly solicited when the big ten industrialized nations get together to take key decisions on the world's economic future their voting strength in the Brettoon woods institutions (World Bank and I.M.F.) is less than one third of the total and their numerical majority in the general assembly has meant no real inffluence so far on iuternational economic decisions.

Finally it can be mentioned that these unequal relationships pervade the intellectual world and the mass media as well. The developiug countries have often been subjected to concepts of development of valuse system which were largly fashion abroad. These economic thought could not be applied in underdevelod countries the socio economic conditions of thses countries differ from develop countries. These countries have to envolve certain policy which suits them. We have to trace the history as well just to find out why at all so much inequality exist in the world. The basic reason for this inequality life fairly deep in their history. In most part of the third world, centuries of colonial rule have left their lagacy of dependency.

Political independence has often not succeeded in eliminating either economic depence or intellectual slavery. But now after acheiving political liberation, a state is set for economic liberation. Where demand for international economic order is being put forward which is accompanying an intellectual ferment in the third world sweeping aside. The cob-webs of inferiority complex and bring into power a new generation of people, confident of themselves and their counteies beleiving in their own culture and their manifest destiny and willing to deal with the industrialised world only on a basis of equality.

In this context, a net bilateral transpfer of about $ 12 billion of official development assistance to the poor nation every year is neither adequate nor to the point. The quantitative loss implict in the previously quoted example of maldistribution of international credit, in adequate sharing of benefits from the export of their natural resourccs and artificial restrictions on the movement of their goods and services (do not take into account labour) could easily amount to $ 50-100 billion a year. More partinently, the poor nation are secking greater equality of opportunity not charity from the uncertain generosity for the rich.

Now a debate on the establishment of new international economic order has only recently begun. Third World is asking for equality of opportunity, not equality of income they are asking for a fair chance to make on its own. They themselves wants to achieve self sufficiency so that they can also become self relient, self generating economy but in order to achieve that they seek the friendly coperation from the develop countries which is unfortunately conditional or rather dependes on political relations rather than on genuine economic needs.

It a fact we want the world, free of tension if gaps between the countries would remain than world would be devided in various belocks and there would be a persistent danger of frequent war and world could not remain a peacefull world.