

# 1. RICH AND POOR AS DIVIDING AND INTEGRATING FORCES OF SOCIETY – INTRODUCTION

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## ABSTRACT

This book is concerned with the question of inequality – which points to a major structural problem in intra-national and inter-national respect. The main topics are the scope of disparities between rich and poor, the people's perception of wealth and poverty, and the concomitants of inequality between rich and poor which shape the relationship and influence its socio-economic consequences. In the tradition of social reporting the book brings together authors from 14 countries documenting a broad range of the international inequality debate. The results are related to the trends of socio-economic development, to statistical problems of measuring inequality, and to socio-political problems of integrating society in the face of dividing forces.

## INTRODUCTION

The relationship between rich and poor is a significant societal problem which will remain a central challenge in the new century. One of the great achievements of the last centuries – especially the last one – was to overcome poverty for major parts of the population in modern societies (Landes, 1999 & Maddison, 2001). But as the problem of poverty was increasingly solved, new challenges arose insofar as inequality between the rich and the poor reached general awareness to a higher degree (Glatzer, Hauser 2002). The diagnosis often used to characterise these socio-economic conditions is the welfare paradox. Despite growing wealth an increase of inequality tensions seemed to occur within as well as between nations. There are serious warnings that intra-national and inter-national discrepancies could grow further in the increasingly global world.

The terms “rich” and “poor” are mainly understood in terms of material welfare, notably income, wealth and consumption. The units of analysis regarded here are on the one side individuals and households and on the other side populations and nations. A socio-economic concept of wealth and poverty may include additional dimensions in a broad sense of the concepts of level of living and living standards; especially it could cover public goods and social infrastructure. It should also be recognised that in the emerging knowledge society the question of rich and poor in terms of information will receive highest relevance. The conceptual meaning of rich

and poor is also connected with questions of human development (United Nations Development Programme 2000) and quality of life (Hagerty et al, 2002).

### ANALYSING INEQUALITY BETWEEN RICH AND POOR

Analysing socio-economic inequality, especially the relationship between rich and poor is not an easy task in social sciences. Sometimes it is rejected in general, and to deal with the structure of inequality is criticised as enforcing envy in society. But not to deal with the structure of inequality would actually mean to ignore a very significant problem which could become more dangerous in the future. There are important voices in the public discourse who see the poverty-wealth-tension as one of the most important structural problems of the world (World Bank 2000). The comparisons are virulent on the one side between individuals and households and on the other side between nations and regions. Cross comparisons hint to a new problem because individuals are sometimes richer than a nation.

The inequality between rich and poor is neither good nor bad as such. The statement remains true "The mere existence of disparities in income and wealth is not a sufficient basis for statements about justice or injustice" (Atkinson, 1975, p. 4). Moreover one could regard inequality as such as unavoidable; it is nothing less than the outcome of people using their life chances differently – what they obviously do. Only utopian conceptions would imply that full equality could be an ultimate goal. An egalitarian society would be impossible without exerting coercion on individuals, something which is denied often (Giddens, 2000, p. 96). The opposite conception, an unbounded inequality, seems unwanted with at least similar emphasis and almost nobody calls for it. There are institutions in each society to control its degree of inequality, and often the national constitutions contain descriptions which serve as orientations for balancing policies. The inequality question is concerned with the acceptable degree of inequality and rejected are extremely forced equality as well as borderless inequality. The scope between the two extremes is a good reason for scientific disputes and public discussions about acceptable inequality. The attention given to inequality questions normally grows when inequality increases because this makes more people aware and social scientists intensify research about it (Jencks, 2002). In the last instance in a democratic society the amount of aspired inequality should depend on the will of the people. But there are always different population segments and it is difficult to find a majority decision or a consensus. Basically the personal life experience is not sufficient to evaluate the inequality of societies. Here the task for social sciences, especially social reporting comes in. Social reporting can contribute to analyse inequality in terms of explanation and enlightenment.

Analyses of inequality have often more political and value connotations than other studies, this seems to be true for this book as well. The reason is that inequality cannot be analysed without value judgements. The first value decision lies in the definition of the problem, which is always a selection among alternatives of different political significance. For example national approaches are different in respect to the objective and subjective aspects of reality which they regard as important. The second value decision lies in the definition of the concepts; to define who is poor and rich is not possible without value judgements. The operations to be designed as

being rich or poor are not self evident and they include value-related procedures of arguing. The third value decision is inevitable when the level of inequality in a society is described. It is nearly impossible to do this strictly descriptive; moreover it is characterised as high or low or at least as increasing or decreasing. The criteria used may emphasise equality or inequality, but to avoid a value position is impossible insofar as taking up no position is in a way, a position too. Therefore analyses of rich and poor may be sometimes more evaluative and controversial than other social analyses. Despite the value orientation of these analyses there are main parts where social indicators constitute an empirical proof of arguments and theories. This approach is at the centre of the contributions to this book.

### MAIN CONCERNS OF THIS BOOK

The focus of this book lies on disparities, perceptions and concomitants of the rich and poor-stratification of societies.

The disparity-question is related to the socio-economic conditions that characterise rich and poor people. How can this inequality be measured within and between countries and what are the differences?

The question for the perception of inequality is concerned with the views of the people: How are wealth and poverty conceived by the individuals? What are the evaluations of inequalities which are experienced personally or characterising the nation or the world? How is the relationship between rich and poor people perceived?

In respect to concomitants of socio-economic inequality there are different questions: What are the social consequences of different degrees of inequality? How is inequality maintained and how is it transformed? Especially of interest is what the private and public reactions to rich and poor-disparities are.

There is much more research about the poor than the rich. The intention of the book was to connect the concepts of rich and poor. The lower income strata have found more interest than the upper ones though both depend on each other. The mutual relationship and dependence and the social consequences for society are important to monitor.

The approach of this book is characterised by the following components:

The authors represent perspectives from all over the world, from wealthy welfare states as well as poor developing countries and nations in between. The problem is a world-wide one and should be communicated and discussed according to this dimension.

The topic of socio-economic inequality is regarded in intra-national as well as in inter-national respect and sometimes both areas are correlated. It is basically the same problem of inequality that exists on different levels.

The approach is "objective" and "subjective", and sometimes both views are brought together. Inequality is described as "objective" when it is measured in a valid and reliable way by social scientists. Those aspects are understood as "subjective" which are perceptions and evaluations of the people.

The evaluation of socio-economic inequality should not be regarded as negative as such. There are always a lot of reasons why disparities should be accepted due to

differences in performance or needs. Nevertheless inequality is often in the centre of critics due to its negative consequences. There are often severe tensions between rich and poor, sometimes hostility; the younger generations of the poor have in the average different life chances compared with the rich ones. Justice and fairness of inequality are often in question. Sometimes the question of legitimate power arises when individuals earn more than a whole nation. But as the German sociologist Georg Simmel pointed out conflicts are not at least integrating. There are so many activities and institutions engaged in controlling the tension between rich and poor that inequality unifies the society inside and abroad welfare states. Socio-economic inequality is compound with dividing and integrating forces at the same time.

### DISPARITIES BETWEEN RICH AND POOR

To analyse and to understand rich and poor is at the beginning a conceptual task. Always the question has to be answered what, in a given context, should be understood as rich and poor. Many respective approaches have defined and described their content differently, from elaborated National Economic Accounts to the more recently developed Human Development Index. A systematic comparison in the broad field of measurement procedures, closely related to empirical results and the political debate is given by Richard J. Estes. The need for valid measurement is emphasised especially for social indicators of poverty and inequality.

There are two main socio-economic dimensions of inequality which are shown by Richard Hauser and Irene Becker for Germany. Measures of income and wealth are basically different but there is a positive correlation between net income and net wealth. Whereas income is received and spent during a period of time (a month, a year), wealth means the stock available at a certain point in time. Wealth and income show completely different types of distribution, wealth is much more unequally distributed than income, and rich and poor in terms of wealth differ from rich and poor in terms of income.

The measurement of socio-economic inequality is a field of statistical problems and pitfalls and the increasing knowledge is often disparate. This is shown especially for the field of poverty studies which have been conducted much more often than explicit wealth studies. Stephen Horn and Peter Whiteford are evaluating poverty studies in Australia from a statistical perspective with the intention to bring more clarity into a field of complicate findings. They demand to pay attention to the technical choices, which are influencing the results of inequality studies.

The traditional measures of socio-economic inequality are nowadays increasingly challenged by approaches which are related to concepts going beyond standards of living in the direction of quality of life. Poor countries are identified by indicators showing low values for infant survival, life expectancy, calorie intake and adult literacy. World-wide developments in respect to divergence and convergence are described by Krishna Mazumdar with the result that there is increasing convergence for these indicators.

Another challenge is connected with the rising knowledge and information society where the question is how far income and wealth may lose their significance in

favour of knowledge. A widening gap could result if the poor were excluded from knowledge and the rich monopolised it. As Volker G. Täube and Dominique Joye point out for Switzerland computer skills are positively associated with the income of people. But more important is that the new technologies are concentrated on younger people and deficient for the elderly.

### SUBJECTIVE PERCEPTIONS OF POVERTY AND WEALTH

One main view on the problem of rich and poor is directed from the eyes of the researcher towards the economic facts of inequality – “objectively” as it is called. The other view is directed towards the population and how the economic facts are regarded through the eyes of the citizens – this is called “subjectively”. How a population and its parts regard their personal and general conditions of socio-economic inequality can happen in different ways as it is illustrated by the contributions to this book.

A first main question concerns the relationship between income, income satisfaction and life satisfaction, how it is in general and whether it is different for poor and rich people. The comparison of Germany and Russia by Peggy Schyns shows firstly that according to the existing differences in living conditions the wealthier Germans are more satisfied with their income and their life than the poorer Russians. Secondly, they react in the same ways to changes of their income, i.e. the gains from upward changes were disproportionally weaker compared to the losses by downward changes. A third result is that increases of income are accompanied by increases of income satisfaction and life satisfaction, but these increases are smaller in higher income strata. The significance of income is not the same for the rich and the poor. A mixture of theories – for example need theory, personality theory and especially bottom-up and top-down approaches – are regarded whether they bring forth plausible explanations for these results.

It is an often replicated result that improving “objective” living conditions is accompanied by increasing “subjective” satisfaction. This is verified in the paper of Richard Devey and Valerie Møller for the case of South Africa after the end of the authoritarian regime and the introduction of democracy. A rather divided society was successful in increasing satisfaction for the population altogether and especially the poor. The gaps between the rich and the poor, their living conditions as well as their satisfaction, were reduced by getting the nation better off as a whole. As it seems, the reported changes of satisfaction levels in a few years are obviously the biggest ones in the research field. Although the normal case is a high amount of stability in the satisfaction levels of nations here is an exceptional case which demonstrates the possibility of changes.

An example of another rising country are the Philippines which belong to the economically successful so-called tiger-states. As described by Mahar Mangahas, more than half of the population regard themselves as poor whereas the official poverty is about a third. This subjective perceived poverty is qualified further insofar as 11 % report at the same time not to have enough food. There are gradual improvements in the course of time. It is interesting to see who is regarded as rich under these conditions: Somebody is defined as rich who gets around three times the

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Rich and Poor

Disparities, Perceptions, Concomitants

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