

# ***Economic Causes of Global Poverty and Inequality: Ecological, Policy, and Structural Perspectives***

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**Abstract:** Global poverty and inequality are deeply rooted in historical legacies and current policies. This article examines the economic causes, including colonial practices and unfair trade, and discusses income and wealth disparities. It evaluates the current poverty landscape and social mobility, proposing solutions like institutional reforms and international cooperation. The goal is to develop strategies for reducing poverty and promoting equitable growth. The article emphasizes the importance of economic development, resource allocation, and policy reform to address poverty and inequality, aiming for inclusive growth and social equity. It provides insights for formulating effective poverty reduction policies and sustainable development.

**Keywords:** Global Poverty, Economic Disparities, Inequality, International Policy, Social Mobility

## **1. Introduction**

According to the 2024 Global Multidimensional Poverty Index report jointly compiled by the United Nations Development Programme and the Centre for Poverty and Human Development at the University of Oxford, approximately 1.1 billion people worldwide live in extreme poverty, with over half of them being minors[1]. These impoverished populations are primarily concentrated in sub-Saharan Africa and South Asia, where they face severe shortages of basic necessities such as food, housing, healthcare, and education.

The global wealth gap is also widening, and the income and wealth gap between the rich and the poor is becoming increasingly significant. This inequality exists not only between countries but also among different social classes within countries. The severity of global poverty and inequality cannot be ignored[2].

Poverty poses a great threat to the survival and development of individuals. The poor often lack access to basic resources such as food, healthcare, and education. Poverty also limits their potential for development, making it difficult for them to break the cycle of deprivation[3]. The problem of inequality exacerbates social contradictions and conflicts, the widening gap between the rich and the poor leads to tense relationships between social classes, and inequality also exacerbates the uneven distribution of resources such as education and healthcare, making it more difficult for vulnerable groups to obtain fair opportunities and treatment.

Global poverty and inequality also affect the reform and improvement of the global governance system. These issues expose the inequalities and irrationalities in the global governance system,

promoting the strengthening of international cooperation and communication[4]. Addressing these issues provides an opportunity to build a more just, reasonable, and effective global governance system.

The issue of global poverty and inequality exposes the unfairness and irrationality of the international trade system, the unequal distribution of financial resources, and the unequal distribution of educational resources and employment opportunities in the global governance system. These problems hinder the balanced development of the global economy, exacerbate social conflicts and contradictions worldwide, and pose severe challenges to the reform and improvement of the global governance system[5]. Thoroughly analyzing the economic causes of global poverty and inequality, proposing effective solutions, is of great significance for promoting balanced development of the global economy, achieving social equity and justice, and building a more just, reasonable, and effective global governance system.

This study aims to explore the economic roots of global poverty and inequality through systematic theoretical analysis and empirical research, analyze their impact on individuals, families, and society, and delve into economic reasons such as the imbalance of the global economic structure, the unfairness of the international trade system, the unequal distribution of financial resources, the unequal distribution of educational resources and employment opportunities, and the bias of tax policies and social welfare systems. It provides useful references and inspirations for solving global poverty and inequality problems, promoting sustainable development of the global economy and social harmony and stability.

## **2. Conceptual Framework and Theoretical Foundations**

Poverty usually refers to a state of hardship and deprivation, defined and measured across multiple dimensions, including economic, social, cultural, and other aspects. At the economic level, poverty usually refers to income or consumption levels below a certain standard, which cannot meet basic living needs[6]. Inequality refers to the uneven distribution of resources, opportunities, power, among members of society, which manifests in economy, political, social, and cultural dimensions.

Absolute poverty, also known as survival poverty, refers to the inability of individuals and families to sustain their basic survival needs based on their labor income and other legitimate sources of income under certain social production and lifestyle conditions.

Relative poverty refers to a state where, under specific social production and lifestyle patterns, individuals or families rely on labor or other legal income to maintain their food security, but cannot meet other basic living needs considered essential under local conditions. This form of poverty is relative as it is assessed in comparison to the social average or a reference group[7].

There is a close relationship between poverty and inequality, and poverty is often the result and manifestation of inequality. In an unequal society, resources and opportunities are often monopolized by a few wealthy classes, while the poor are in a relatively disadvantaged position and have difficulty accessing sufficient living and development resources.

## **3. Current Trend of Global Poverty and Inequality**

Poverty and inequality are prevalent globally. According to the World Bank, a large number of people continue to live in extreme poverty, unable to meet their basic living needs. Wealth disparity is growing, with wealth and income highly concentrated in the hands of a few people, while the majority struggles to make a living. This inequality phenomenon not only exists between countries, but also between different social classes within countries. As shown in Table 1.

Table 1: Global Poverty Distribution Table

Number of people living in extreme poverty	Approximately 1.1 billion people worldwide live in extreme poverty, accounting for about 1/8 of the global population
Distribution of poverty-stricken population	Mainly concentrated in sub-Saharan Africa and South Asia, accounting for approximately 83.2%
Age structure of impoverished population	584 million impoverished people under the age of 18, accounting for 27.9% of global minors
Urban and rural distribution of impoverished population	About 83.7% of the impoverished population lives in rural areas

### 3.1. Dimensions of Economic Inequality

Global and regional income inequality is widespread, with significant differences among different countries, regions, and social groups. This inequality is reflected not only reflected in the absolute income gap, but also in the distribution of relative income shares. Differences in economic development level, industrial structure, resource endowment and other factors between different countries lead to significant income disparities and income inequality within countries. Additionally, within individual countries, the income gap between different social groups is also significant, with the income gap between the wealthy and the middle and low-income classes widening, leading to intensified social stratification[8].

The latest World Inequality Report 2022 shows that in the past 20 years, the income gap between the top 10% of earners and the bottom 50% has almost doubled. The report confirms that although income inequality varies by country and usually depends on government policy choices, the wealth gap within some countries, including the United States and India, is becoming increasingly severe[9]. This report is from the World Inequality Lab, a subsidiary of the Paris School of Economics. The expert team for the report includes renowned economists such as Lucas Chancel, a lecturer at the Paris Institute of Political Science, and Thomas Piketty, research director at the French Institute for Advanced Studies in Social Sciences.

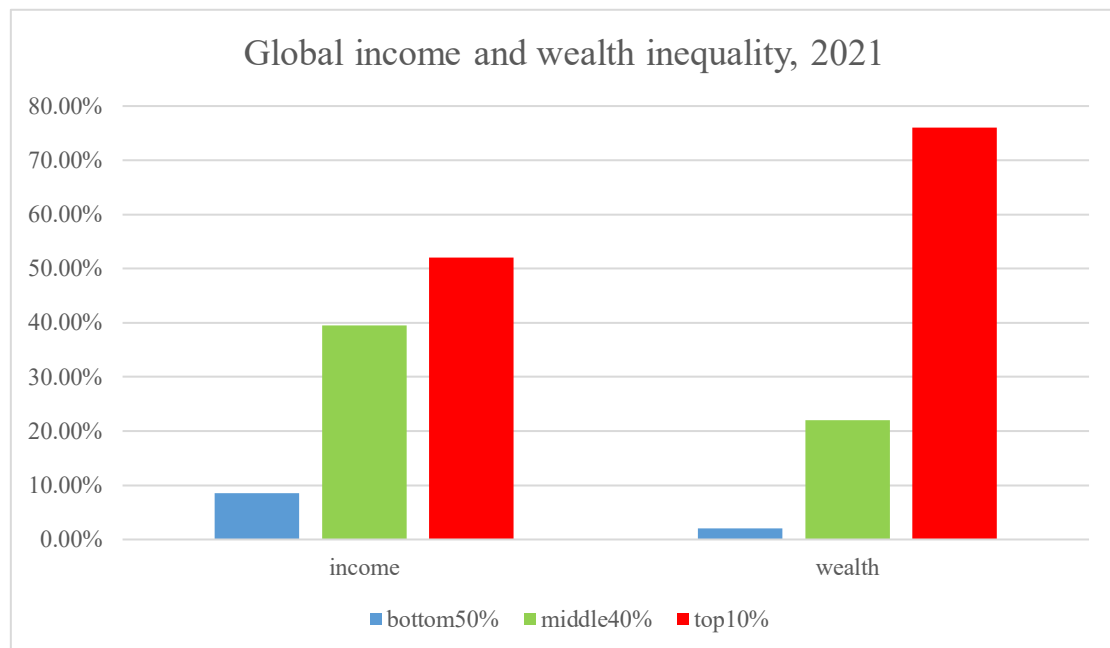


Figure 1: Global income and wealth inequality, 2021

Global wealth inequality is even more severe than income inequality. The poorest half of the world's population owns almost no wealth: their wealth accounts for only 2% of global assets. In contrast, the richest 10% of the world's population owns 76% of the wealth.

According to the data from the global rich list, the wealth of the top rich has been growing in recent years. Their wealth primarily comes from successful investment and operation in scientific and technological innovation, the Internet, e-commerce and other fields. Their wealth growth rate often exceeds that of ordinary people, thereby exacerbating global wealth inequality[10].

The middle class is an important pillar of the global economy, has experienced a relatively slower wealth growth rate various factors such as economic fluctuations and policy changes. In some countries, the middle class faces challenges such as stagnant income and rising living costs, which limit their wealth growth.

For low-income groups, the global wealth status is generally poor, characterized by a lack of stable income sources and sufficient savings. This makes it difficult to cope with emergencies and economic risks. In some developing countries, outdated infrastructure and limited educational resources further restrict the opportunities for low-income groups to improve their financial situations.

### 3.2. Unequal Opportunities

Social class differences significantly impact access to education. Children from affluent families enjoy higher enrollment rates due to their greater access to high-quality preschool, primary, and subsequent higher education. In contrast, children from impoverished families may face barriers to accessing quality education, including the risk of dropping out due to financial constraints[11]. Some families with higher social classes will also strive for more educational opportunities and advantages for their children by private tutoring, extracurricular activities, and school selection.

In terms of educational resources, wealthy families can provide their children with richer educational resources, such as high-quality textbooks, advanced teaching equipment, and excellent teaching staff. These resources help improve children's learning outcomes and competitiveness[12]. Poor families may not be able to provide sufficient educational resources for their children, and may even face the dilemma of being unable to afford basic education expenses such as tuition fees and textbook fees.

Regional disparities are also evident in terms of the distribution of educational funding and facilities. Schools in urban areas typically have more education funding, more advanced teaching equipment, and better faculty. However, schools in rural areas may face problems such as funding shortages, outdated equipment, and a shortage of teaching staff.

The allocation of educational resources between different regions is influenced by various factors such as policies, economy, and culture. Some regions may receive more investment in educational resources due to policy bias or rapid economic development, while others may continue to face scarce educational resources for various reasons[13].

In many countries and regions, social class differences significantly affect educational opportunities. Children from affluent families typically enjoy higher enrollment rates, thanks to having more opportunities and resources to receive high-quality education from preschool to higher education. These families not only provide their children with abundant educational resources such as high-quality textbooks, advanced teaching equipment, and excellent teachers, but also further enhance their educational advantages through school selection, tutoring classes, and interest classes. In contrast, children from poor families may face the risk of dropping out of school due to economic reasons, unable to receive high-quality education, and even struggling to afford basic education expenses such as tuition and textbook fees.

Table 2: Statistical table of the Impact of Social class differences on educational Opportunities

class	Preschool education opportunities	Primary education opportunities	Higher education opportunities	Educational resources (Such as teachers, equipment, etc.)
Upper society	high	high	high	Rich
Middle-level society	middle	middle	middle	medium
Lower society	Low(lower than 30%)	Low	Low	Lack of

Regional differences also profoundly affect the allocation of educational resources and enrollment rates. This difference is particularly evident between urban and rural areas. Many rural areas in developing countries have fewer schools and lower education quality, resulting in lower enrollment rates for rural children. Even in developed countries, there is an imbalance in the distribution of educational resources and enrollment rates among different regions. Remote or economically underdeveloped areas may lack sufficient schools and educational resources, affecting the enrollment opportunities of local children. Schools in urban areas often have more education funds, advanced teaching equipment, and excellent teaching staff, while rural areas may face problems such as funding shortages, outdated equipment, and teacher shortages. The differences in the allocation of educational resources are not only influenced by economic factors, but also constrained by various factors such as policies and culture[14]. Some regions may have access to more educational resources due to policy preferences or rapid economic development, while others may be trapped in a shortage of educational resources for various reasons.

Table 3: Statistical table of the impact of Regional differences on educational opportunities

Regional primary school enrollment rate, junior high school enrollment rate, high school enrollment rate, educational resources	Regional primary school enrollment rate, junior high school enrollment rate, high school enrollment rate, educational resources	Regional primary school enrollment rate, junior high school enrollment rate, high school enrollment rate, educational resources	Regional primary school enrollment rate, junior high school enrollment rate, high school enrollment rate, educational resources	Regional primary school enrollment rate, junior high school enrollment rate, high school enrollment rate, educational resources
(Such as funds, equipment, etc.)	(Such as funds, equipment, etc.)	(Such as funds, equipment, etc.)	(Such as funds, equipment, etc.)	(Such as funds, equipment, etc.)
Urban areas are high (such as 99%), high (such as 99%)	Urban areas are high (such as 99%), high (such as 95%),	Urban areas are high (such as 99%), high (such as 95%),	Urban areas are high (such as 99%), high (such as 95%),	Urban areas are high (such as 99%), high (such as 95%), high (such as 85%), rich

Table 3: (continued).

95%), high (such as 85%), rich	high (such as 85%), rich	high (such as 85%), rich	high (such as 85%), rich	
Rural areas are low (e.g. 85%), medium (e.g. 70%), and low (e.g. 50%).	Rural areas are low (e.g. 85%), medium (e.g. 70%), and low (e.g. 50%).	Rural areas are low (e.g. 85%), medium (e.g. 70%), and low (e.g. 50%).	Rural areas are low (e.g. 85%), medium (e.g. 70%), and low (e.g. 50%).	Rural areas are low (e.g. 85%), medium (e.g. 70%), and low (e.g. 50%).

## 4. Economic Causes for Poverty

### 4.1. Historical Roots of Global Poverty and Inequality

#### 4.1.1. The legacy of colonialism

Colonialism has left a lasting impact that continues to perpetuate global poverty and inequality. During the colonial period, Western countries exploited numerous developing countries through long-term resource plunder and exploitation of numerous developing countries through military or economic means. This asymmetric power relationship deprives colonized countries of economic autonomy and leads to imbalanced development of their economic structure, such as excessive reliance on a single export commodity and outdated infrastructure. These historical legacy issues still largely constrain the economic development potential of many countries, exacerbating global poverty and inequality.

#### 4.1.2. Lagging Production Methods and Social Structures

Many developing countries have failed to effectively modernize traditional production methods and social structures, such as small-scale farming and feudal systems, in the process of modernization. These lagging factors limit the improvement of production efficiency, hinder the optimization and upgrading of economic structure, and put these countries at a disadvantage in global economic competition. At the same time, the inequality in social structure has exacerbated the unequal distribution of resources, making it difficult for impoverished populations to access development opportunities and resources.

## 4.2. Policy Reasons

### 4.2.1. Unfairness of the international trade system

The current international trade system, although promoting the integration and development of the global economy to a certain extent, has exacerbated global inequality due to inherent unfairness. Developed countries have utilized their economic and technological advantages to formulate favorable trade policies, such as tariff barriers and anti-dumping measures, which restrict market access for products from developing countries. This biased trade environment makes it difficult for developing countries to achieve rapid economic development and poverty reduction through international trade.

The predicament of Kenyan coffee farmers is precisely caused by the unfairness of the international trade system. Kenya is a globally renowned coffee producing country, but local coffee farmers often face unfair treatment in international trade. Developed countries have set high tariffs and complex trade barriers on imported coffee in order to protect their own agriculture. This has led to a decrease in the competitiveness of Kenyan coffee in the international market, making it difficult for coffee farmers to obtain fair prices. Some coffee farmers are even forced to abandon coffee cultivation and engage in other low-income activities due to the inability to bear the high export costs, further exacerbating the problem of poverty.

#### **4.2.2. Monopoly and exclusion in the financial system**

The monopoly phenomenon and exclusionary policies in the global financial system are also important causes of global poverty and inequality. Developed countries have strong financial institutions and capital markets, enabling them to easily access low-cost funds to support their economic development. Developing countries, on the other hand, face difficulties and high financing costs, making it difficult to obtain sufficient funding to support their economic development. The uneven distribution of financial resources has further exacerbated global inequality.

The financing difficulties faced by small businesses in Africa are due to the monopoly and exclusion of the financial system. In Africa, many small businesses are unable to expand their scale and improve production efficiency due to a lack of sufficient funding. Although African countries have made some progress in the financial sector in recent years, the financial system is still monopolized by a few large banks and multinational corporations. These institutions often tend to provide loans to large enterprises or multinational corporations, while ignoring the financing needs of small businesses. This makes it difficult for small businesses to obtain necessary financial support, limiting their development and job creation opportunities.

#### **4.2.3. Unequal distribution of educational resources**

Education is an important way to overcome poverty and achieve social mobility. However, the distribution of educational resources worldwide is extremely uneven. Developed countries have high-quality educational resources and advanced educational systems, which can provide high-quality educational services for their citizens. However, developing countries often face the problems of scarce educational resources and lower educational quality. The unequal distribution of educational resources limits the upward mobility of impoverished populations and hinders these countries from achieving comprehensive economic and social development.

The education gap between urban and rural areas in India is a result of unequal distribution of educational resources. India is a populous developing country with significant disparities in the distribution of educational resources between urban and rural areas. In urban areas, schools have well-equipped facilities, strong teaching staff, and students can receive high-quality educational services. However, in rural areas, due to the scarcity of educational resources, rudimentary school facilities, weak teaching staff, and extremely difficult learning conditions for students. The unequal distribution of educational resources has led to students in rural areas being at a disadvantage in their studies, making it difficult for them to change their fate through education.

#### **4.2.4. Bias between tax policies and social welfare**

Tax policies and social welfare policies are important means of regulating income distribution, alleviating poverty and inequality. However, some countries have biases in implementing these policies, such as excessive reliance on indirect taxes, and cuts to social welfare and healthcare for the



poor. This policy orientation not only exacerbates the wealth gap, but also weakens the protective role of the social security system for the impoverished population.

The imbalance between tax and social welfare in Latin American countries is caused by the bias between tax policies and social welfare. In some Latin American countries, governments have adopted tax policies to reduce corporate income tax and personal income tax in order to attract foreign investment and promote economic growth. However, such policies often lead to a decrease in government fiscal revenue and insufficient investment in social welfare and healthcare for the poor. Some impoverished people are trapped in difficulties due to the lack of necessary medical and welfare guarantees, and even become poor due to illness. Meanwhile, due to biased tax policies, high-income groups often enjoy more tax incentives and welfare benefits, further exacerbating social inequality.

## **5. Strategies to Combat Global Poverty**

### **5.1. Economic Development Level and Industrial Structure**

The low level of economic development and inefficient industrial structure are the key root causes of poverty. In areas with lower levels of economic development, lagging productivity and limited employment opportunities restrict residents' incomes and lead to a lack of economic diversity. An over-reliance on a single industry constrains development potential, making it difficult for impoverished areas to escape poverty through diversification. This structural economic problem often leads impoverished areas into a vicious cycle of "low income, low investment, low growth".

By optimizing industrial structure, improving production efficiency, and promoting industrial upgrading, we aim to accelerate economic development and provide residents with more employment opportunities and sources of income. This includes encouraging technological innovation, enhancing industrial added value, and promoting the extension and integration of the industrial chain.

Supporting the development of multiple industries in impoverished areas helps create a diverse industrial structure that can enhance economic resilience and development potential. The government can guide social capital to flow to impoverished areas and support the development of emerging industries by providing incentives such as fiscal subsidies and tax incentives.

### **5.2. Resource allocation and utilization efficiency**

Unequal resource allocation and inefficient utilization are other significant factors contributing to poverty. In impoverished areas, resources are often scarce and unevenly distributed, which makes it difficult for residents to obtain necessary production and living materials, thereby limiting their development opportunities. The low efficiency of resource utilization not only exacerbates the waste of resources, but also limits the potential for economic development.

Optimize resource allocation by implementing policy guidance and market mechanisms can ensure that impoverished areas have access to necessary production and living resources. The government can formulate relevant policies, such as resource taxes, resource compensation fees, to regulate the allocation and use of resources.

Improve resource utilization efficiency, strengthen resource management and utilization, enhance resource utilization efficiency, and reduce resource waste and improve efficiency. This includes promoting advanced resource utilization technologies, strengthening resource recycling and utilization, and raising environmental awareness among resource users.

### **5.3. Institutional and Policy Environment**

The imperfect system and unfavorable policy environment is a major barrier to addressing poverty. Institutional deficiencies and unfair policies can limit the development potential of impoverished



areas and hinder residents' efforts to escape poverty. This institutional and policy-based obstacle often puts impoverished areas at a disadvantage in economic development, making it difficult for them to enjoy fair development opportunities.

Improving the institutional environment, strengthening institutional frameworks, enhancing the legal and regulatory system, and improving governance transparency are key to providing a fair environment. This includes strengthening property rights protection, improving market mechanisms, and enhancing government governance capacity and transparency.

Implementing targeted policy measures conducive to the development of impoverished areas, such as poverty alleviation policies, industrial policies, to promote economic development in impoverished areas. The government can increase financial investment in poverty-stricken areas, provide public service support such as education and healthcare, and encourage social capital to participate in the development of poverty-stricken areas. In addition, a long-term mechanism for the development of poverty-stricken areas can be established, such as setting up poverty alleviation funds, establishing poverty alleviation industrial parks, etc., to continuously promote economic development and social progress in poverty-stricken areas.

## 6. Conclusion

Exploring the economic causes of global poverty and inequality aims to understand the root causes of these complex social phenomena and provide theoretical basis for developing effective solutions. Low economic development and unreasonable industrial structure are important reasons for poverty and inequality. In impoverished areas, low productivity levels and limited employment opportunities result in low income levels for residents. The single or unreasonable industrial structure limits the potential for economic development, making it difficult for impoverished areas to escape poverty.

Unequal resource allocation and inefficient utilization exacerbate poverty and inequality. In impoverished areas, resource scarcity and unreasonable distribution make it difficult for residents to obtain necessary production and living materials. The low efficiency of resource utilization limits the potential for economic development and exacerbates the vicious cycle of poverty.

Institutional deficiencies and an unfavorable policy environment also play a crucial role in perpetuating inequality. Institutional deficiencies and unfair policies limit the development potential of impoverished areas, making it difficult for residents to escape poverty. In addition, the lack of an effective social security system and public services further worsens the situation.

In the uneven flow of capital, technology, and resources often tends towards developed countries and regions, leading to further widening of the wealth gap. Developing countries and regions, especially rural areas, often lack sufficient economic opportunities and resources, making it difficult to escape poverty. Access to quality education is the key to changing individual destiny and promoting social mobility. Poor areas lack educational resources, weak teaching staff, and low teaching quality, resulting in a large number of people unable to receive good basic education, and thus lacking necessary vocational skills and employability, falling into a cycle of poverty.

Institutional reform is the key to addressing poverty and inequality issues. By reforming the existing institutional framework and policy environment, eliminating institutional barriers, improving policy effectiveness and fairness, and providing more development opportunities and guarantees for impoverished areas and vulnerable groups. By strengthening international cooperation and sharing successful experiences, learning advanced concepts and technologies, promoting balanced and sustainable development of the global economy, and emphasizing the importance of international cooperation and institutional reform as key themes for future progress.

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