

# ***Social Impact Study of the Rich-poor Gap***

**Kerui Chen<sup>1,a,\*†</sup>, Ruiyi Liu<sup>1,†</sup>, Yifu Ding<sup>2,†</sup>**

<sup>1</sup>*Chengdu Foreign Languages School, Chengdu, 610000, China*

<sup>2</sup>*Sendelta International Academy Shenzhen, Shenzhen, 518000, China*

*a. 631402090101@mails.cqjtu.edu.cn*

*\*corresponding author*

*†These authors contributed equally.*

**Abstract:** The gap between the rich and the poor is a widespread and prominent social phenomenon in China, which is closely related to the sustainable and stable progress of the new economic model of our society and the construction of a harmonious society and is one of the critical factors limiting economic development. It is obvious that the differences between the rich and the poor have proposed some methods and ideas, their habits and their ways of thinking to gain a deeper understanding of the gap between the rich and the poor. We hope to make people aware of the social and economic dangers of this gap, and to be conscious of the ways in which they can regulate their own behavior.

**Keywords:** social network, Gini index, economic gap

## **1. Introduction**

The problem of the gap between rich and poor is not unique to China but to all parts of the world, and it has permeated all aspects of society. In some countries, magnificent buildings are on one side of the road, and poor slums are on the other. Like Gangnam in South Korea and Mumbai in India, even in the town center. In recent years, the gap between the rich and the poor is no longer a subjective situation. Still, it has led many to develop a hatred of officials and the rich, undoubtedly detrimental to society [1].

In addition, education is a way of judging a person's future success. A British documentary called "Seven Years of Life" followed the lives of fourteen children from different walks of life, some born into high society and others from low-income families. This determines whether a person achieves financial success or an epiphany in their thinking. At the same time, Murphy, a leading American economist at the University of Chicago, argues that the primary cause of the gap between rich and poor individuals today is the gradual accumulation of a body of knowledge that constitutes human capital, rather than the extent of natural capital possession in material terms. Therefore, the gap between rich and poor is monetary and ideological. The equity of education and the opportunities available to the wealthy are evident [2].

Since the reform and opening up of China, the country's economy has been rising yearly. Still, along with the country's excellent results, some obstacles inevitably hinder progress. This paper will discuss the gap between the rich and the poor as far as possible.

## 2. Case Description

First, socialization has a significant impact on the economies of both the rich and the poor. Socializing is a fundamental aspect of human nature that involves interacting with others, sharing resources and building relationships. Socialization can take many forms, such as attending social events, going to parties, and joining clubs or organizations. And the way rich and poor people socialize can significantly affect their economic outcomes. Rich people typically have access to a broader and more diverse social circle, and they can attend more social events, join more social organizations, and meet more people. They are also more likely to gain attention and recognition in their social life because they usually have higher social status and wealth. The socialization of the wealthy may also lead to business and professional opportunities, as they can leverage their social networks to expand their business or recommend talent. However, the socialization of the wealthy can also have some negative effects. Because they are often exposed to similar social circles, they may fall into a comfort zone where they are not easily exposed to new ideas and perspectives.

In contrast, the social circle of the poor is usually more limited and restricted. Because they may not have sufficient financial resources and time, they may not be able to participate in more social activities or join more social organizations. In addition, the poor may also face social disconnection and exclusion because they lack some social skills or resources, such as clothing, transportation, etc. However, there may also be some positive effects of socialization for the poor. Their social circles may be closer and more supportive of each other because they often face common challenges and difficulties. The socialization of the poor may also help them get more resources and support in certain situations, such as when they need access to housing, employment, and medical assistance.

In general, there are major differences between the socialization of the rich and the poor. The social circles of the rich are broader and more diverse, while the social circles of the poor are more restricted and tightly knit. The socialization of the rich may lead to more business and career opportunities, while the socialization of the poor may be more mutually supportive and focused. [2] People with lower subjective social class are more likely to attribute the gap between rich and poor to external environmental factors, such as unfair distribution of resources, the presence or absence of connections or contacts, different family backgrounds or origins of individuals, and so on. However, there is no stable and consistent correlation between the level of objective social class and people's tendency to attribute the wealth gap. Subjective social stratification and objective social stratification are both interrelated and independent of each other, and they are consistent in general, with some degree of deviation in localization.

### 2.1. Educational Issues

Second, education plays a large part in the growth and development of life and in determining economic status. However, the gap between the rich and the poor may lead to an unfair distribution of educational opportunities. Children from poor families often do not have access to quality education, while children from wealthy families have access to better education and better resources. This may lead to widening disparities between census regions and may negatively affect those who come from economically underdeveloped areas. [3] After the educational needs of the children of the advantaged class are quantitatively saturated, the quantity of educational opportunities for the children of the disadvantaged class may increase, but the qualitative inequality is maintained. That is, the educational opportunities sought by children of the disadvantaged class are mainly of the less valuable types of education, while the more valuable types of education are still occupied by the advantaged class.

## 2.2. Social Issues

Finally, the gap between the rich and the poor may lead to social unrest. When the rich get richer and the poor get poorer, the stability of society is affected. This is because the rich usually have access to better opportunities and resources, while the poor may not have access to adequate opportunities and resources. This can lead to social inequality, which can have a negative impact on the stability of society as a whole. This can lead to social discontent and violence, which can affect the harmony and order of the whole society. For example, during the opposition demonstrations in Hong Kong in 2019, some participants protested against the government's failure to take measures to narrow the gap between the rich and the poor.

Overall, the gap between rich and poor has a wide range of impacts on society. Studying these effects can help people better understand the root causes of the wealth gap so that we can take steps to reduce it and promote social equity and economic development.

## 3. Analysis

### 3.1. Income Disparity

The first reason that people cannot ignore is the urban-rural income gap. The combination of the two elements of the economy, urban and rural, is the basic national condition of China. In the rural areas, a lower economic level, they only have cheap labor, which leads to a lower labor force in the countryside than in the cities to a certain extent. In the cities, where professionals have a highly skilled industrial chain and produce several times as much as in the countryside, it is natural that there will be a considerable income gap between the cities and the countryside, with the former having a significantly higher economic level than the latter.

Secondly, there is the income gap between the regions concerned. It is well known that living off the sea does not mean that people on the seafront eat seafood to feed themselves, but rather that the seafront is well connected and has extensive trade with the outside world. In the aftermath of the guns of the Opium Wars, Shanghai was opened to commerce and ships intertwined on the Huangpu River, carrying industrial technology and food trade goods. In the midst of the gunfire, Shanghai developed from an old city hall "not known in the eighteen provinces of China" to the "Paris of the East", where the world met.

Because of its favorable location, it is also favored by national policies. In this way, Shanghai, Shenzhen and Guangdong, some of the first-tier cities in Eastern and Southern China, are in a better position economically than the central region. As the country needs to communicate and trade with the outside world, it often needs certain cities to do business with the outside world, such as the series of cities mentioned above, and these cities are ahead of other cities in terms of education and ideology due to the state's investment and cultural interchange, which further increases the level of personal wealth [4]. This increase in wealth is accompanied by the emergence of luxury goods and a high standard of living, in which case the GDP will also increase in line with the increase in income and consumption of the population. On the other hand, people in second and third-tier cities are more backward in their thinking and prices are lower, reflecting the lower income in second and third-tier cities compared to first-tier cities. At the same time, the public's philosophy limits the idea and ability to manage money, which leads to a slow growth in GDP. Those who have the ability in second and third-tier cities will also migrate to first-tier cities because there are no good opportunities for financial management or investment, and those who do not have a high income in first-tier cities and cannot accept high consumption will also be forced to retreat to second and third tier cities, which is the adaptive ability of human society.

By now, the urban GDP gap has widened further and the gap between rich and poor has grown at the same time. 2020 China's highest GDP city is Shanghai with 3.87 trillion yuan, while the lowest GDP city is only 1.316 billion, a difference of 3,000 times between the two cities [5,6].

### 3.2. Social Circle Differences

In today's highly competitive job market, knowing the right people gives a greater competitive advantage. Maintaining good relationships with key people in an industry, and even outside the industry, will likely propel your career forward. It can help a person standing out from the fierce competition for jobs or get first-hand information about job opportunities that others would not otherwise know about. To fit into such a social circle, employees must first be financially well-off and have a certain social background, otherwise, they will become non-staff members of the circle.

The actual effect of a social circle is not only the company of close friends regularly, but also the ability to use them to resolve crises in times when people are in trouble. A very real example is when child is about to start university and they want to consult a reliable institution for academic planning, if there is a friend who is a shareholder or head of a very authoritative institution, then your anxiety will be resolved. If, for example, you want to meet and work with a famous businessman, in a good social circle, the six degrees of separation theory of Stanley Milgram, a professor of psychology at Harvard University, comes into play: "There are no more than six people between you and any stranger, that is, you can meet any stranger through six people at most [7]. Therefore, some successful people are surrounded by prestigious people. In other words, it is the kind of person you are that determines the height of your social circle.

### 3.3. Psychological Cues as Well as Personal Pursuits

Differences in self-efficacy, also known as satisfaction and self-confidence. Take farmers for example, they do not have high demands on themselves, and because their living environment is not stressful, they do not worry about their low economic level. Their self-sufficiency alone gives them a sense of inner satisfaction, so they neither go after extra money nor choose such a comfortable and simple life.

Differences in behavior. A person's behavior is a conscious action due to an inner need. For example, working people in a metropolitan city where they live is troubled by rent and prices every month, so they increase the intensity of their work to earn extra bonuses to subsidize their family and maintain their life in the metropolis.

Performance of the economy. Marx's labor theory of value argues that wealth does not fall from the sky or emerge from the ground, but that labor creates value (labor theory of value) [8]. There will always be those who do not work for their money and find an alternative way to gamble, thinking that gambling is a shortcut to making money. While there are bound to be winners in card gambling, it does not realistically increase the total amount of wealth in society. Because playing cards and gambling is akin to the concentration of capital, the wealth won by certain gamblers is not produced economically, but rather the plundering of other people's wealth. In addition, the so-called happiness of some gamblers is based on the suffering of other gamblers, so gambling can lead to social instability. The "lazy" mentality and its behavior are also detrimental to the formation of capital and hinder economic growth; the "industrious" person, on the contrary, creates economic value and is the cause of economic growth [9].

## 4. Suggestion

In the situation where an income inequality exists, the government should not only provide support subsidies in the aspect of wealth to poorer citizens, but to also "teach people to fish" through actively promoting a digitalized transformation of impoverished areas, popularizing investment theory and

the benefits of bank interest and increase people's understanding of finance. These factors thereby improve the public's property income and narrow the urban-rural gap from another perspective alleviating the inequality gap.

The reason to promote the digital transformation in the countryside is because in today's era of rapid change, the speed of information dissemination and the way it is received is undoubtedly an important point. An important factor in widening the gap between urban and rural areas is the lack of synchronization of information. Citizens with a higher income have countless information and resources accessible to them, while for those with a lower income either don't have access to or don't have the technology to have access to the Internet. This means that lower class citizens are blind to the most fundamental social changes and information, and therefore are unable to utilize this information. With the transformation to digital circulation, reductions to the asymmetry of urban and rural circulation information can avoid the digital divide and have a positive and significant beneficial effect. Moreover, by integrating a more digitalized circulation industry, it can significantly enhance the employment absorption role of the circulation industry, accelerating the formation of two-way urban and rural circulation and market integration. This in turn promotes the production and operation of rural agricultural products and help farmers obtain more operational and property income [10].

With more operational and property income, how can we use this money to further achieve the goal of "rolling money"? This raises another point: Education for workers on how to invest their money into confidential things. In other words, how to use their money wisely and invest it into items or companies that will benefit them in the long term and are an economically beneficial choice. The government can further increase property income by popularizing investment knowledge and letting workers know how to wisely invest their money through education.

## 5. Conclusion

Research findings show that the wealth gap has widespread and far-reaching effects on society. First, the gap between rich and poor leads to increased social inequality, including the unequal distribution of education, health and employment opportunities. This further leads to an increase in poverty and difficulties in achieving success and prosperity, thus increasing social instability. Second, the wealth gap may also lead to increased political instability and crime rates in society. The rich are more likely to influence political processes and policies, while poor people may feel that their voices are not heard, which can lead to political discontent and social unrest. Finally, the gap between rich and poor may also have a negative impact on economic growth. Highly unequal societies may lead to wasteful and inefficient allocation of resources, which can impede economic growth and development.

The implications and effects of the study are to raise public awareness and understanding of the wealth gap issue and to strengthen the joint efforts of the government and all sectors of society to narrow the wealth gap and achieve a more just, stable, and prosperous society through measures such as increasing equality of opportunity, improving social security systems, improving the quality of education, and enhancing taxation and wealth redistribution.

The outlook for future research is that we need to further explore the nature and complexity of the wealth gap issue in depth. In the era of globalization and digitalization, the factors influencing the wealth gap issue have become more diverse and complex. Therefore, future research needs to focus more on multidimensional factors of society, such as cultural, technological, political and economic aspects, in order to better understand the wealth gap issue. At the same time, we need to study the wealth gap problem in different countries and cultures and explore measures and strategies to effectively reduce the wealth gap in these contexts, so as to provide better reference and reference for solving the global wealth gap problem.

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