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Economics

*Tackling uneven wealth distribution in
relation to extreme poverty*

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RESEARCH
REPORT



Forum: Economics Committee (GA2)

Issue: Tackling uneven wealth distribution in relation to extreme poverty

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Introduction

Wealth inequality and wealth distribution is one of the most important issues in the world today. In order to establish a well functioning nation, governments should tackle extreme poverty and uneven wealth distribution. Effects of income inequality include higher rates of health and social problems, lower rates of social goods, a lower rate of satisfaction and happiness in society and lower level of economic growth when human capital is neglected for high-end consumption. According to the World Bank, uneven distribution of wealth is much more common in fragile and low income economies compared to middle and high income economies. Extreme poverty is the most severe type of poverty, defined by the United Nations (UN) as "a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. Recent World Bank research shows that some countries can get caught in a "fragility trap", in which self-reinforcing factors prevent the poorest nations from emerging from low-level equilibrium in the long run. Overall, uneven wealth distribution results in the richest countries and richest individuals to live extremely comfortable and wealthy lives, whereas the poorest countries and individuals may have to live in extreme poverty. Delegates in this committee will tackle how, in the current state of the world, poverty might be tackled, especially relating to uneven wealth distribution.

Definition of Key Terms

Poverty: Poverty is a state or condition in which a person or community lacks the financial resources and essentials for a minimum standard of living.

Poverty Limit: The monetary limit which an individual should generate, the minimum income of a person, in a year in order to live without poverty.

Wealth: The valuable assets, possessions and money an individual has.

Wealth Distribution: Allocation of the national wealth and reserves of a country. It shows one aspect of economic inequality or economic heterogeneity.

Tax: Contributing a part of your income or wealth to the government in given intervals.

Corruption: Dishonest or fraudulent conduct by those in power, typically involving bribery. It is the abuse of entrusted power for private gain. Corruption erodes trust, weakens democracy, hampers economic development and further exacerbates inequality, poverty, social division.

Income: Money received on a regular basis, either from work or from an individual's investments.

Inflation: Inflation is the rate at which the money loses its value.

Less Economically Developed Countries (LEDCs): are low-income countries confronting severe structural impediments to sustainable development. LEDCs have exclusive access to certain international support measures in particular in the areas of development assistance and trade.

General Overview

Poverty is a common issue for every country in the world. According to the World Bank, the global poverty rate is 9.3 percent. This means that 750 million people currently live in poverty. The areas that bear the largest amounts of people suffering from extreme poverty are sub-Saharan Africa and South Asia. It should be noted that these continents are also housing a large chunk of the world's population (together, they host about 77% of the global population).

In the developed and high income countries, the poverty limit is much higher than mid, low income countries. For example, someone can earn x dollars and that will put him under the poverty line in Switzerland but, that same x dollars can provide him a well functioning life in Nigeria. Additionally, the poverty limit increases with inflation each year. Inflation depreciates the money's value and the purchasing power of the public.

Wealth distribution is a critical tool to measure a country's social and economic balance and determine whether a country is experiencing political unrest. In countries that are heavily dependent on natural resources, only a small portion of the population is able to benefit from existing resources by exploiting these resources of underrepresented groups within a given community. This uneven distribution of resources results in a larger gap between socioeconomic groups, with some groups experiencing extreme poverty and others experiencing extreme wealth. It is also important to note that uneven wealth distribution is also present in countries that rank high on the GDP scale.

Today, governments are working to minimize the wealth gap by increasing minimum wages and by increasing government spending to encourage consumers to spend and contribute to the economy. Simultaneously, the UN and World Bank are supporting the efforts to decrease extreme poverty and have adopted the target of ending extreme poverty by 2030. Also, the reduction of extreme poverty and hunger was the first Millennium Development Goal (MDG1), as set by the United Nations in 2000. This shows how far back this issue has been present on the world stage.

Major Parties Involved and Their Views

United States of America

The United States often invests in the economic development of LEDCs. The U.S. has played a leading role in reducing poverty globally through foreign aid and development programs.

Nigeria

Nigeria is an oil rich country with foreign workers and investment like oil drilling platforms, therefore it is a “rentier state”. Although Nigeria has rich natural resources, in 2020, 40 percent of the population lived in poverty according to the Bureau of Statistics. According to the World Bank 71 percent of Nigerians live under 3.4 dollars per day. Which qualifies them as poor. In rentier states like Nigeria, the richest part of the population benefits from the natural resources, while the poorest does not, and therefore lives in poverty.

Bangladesh

Bangladesh is a country located in West Asia. Bangladesh had a poverty rate of 20.6 in 2019 compared to 24.3 in 2016. In Bangladesh, the government is slowly tackling the issue but still one fifth of the population is grouped as very poor, according to the Asian Development Bank.

Colombia

According to the World Bank extreme poverty was down to 7.2 percent in 2018 from 7.4 percent in 2017. There is a slow progress in Colombia towards exacerbating extreme poverty. The government is increasing investments in this area.

World Bank

World Bank is a UN organization which regulates and decides the poverty levels as well as other social and economic factors.

IMF

Extreme poverty and uneven wealth distribution is mostly common in low income countries, which often suffer from economic and social crises. The IMF usually helps those countries in the recovery process and they sometimes change the tax rates and wealth distribution.

Timeline of Events

1951	<i>In 1951 Equal Remuneration Convention was signed. This convention created a common minimum wage term.</i>
1958	<i>In 1958 Discrimination (Employment and Occupation) Convention was signed in order to regard discrimination.</i>
1981	<i>World Bank researchers define extreme poverty and generate data. This data is the foundation for today's research.</i>

Treaties and Events

[Article 22 of Universal Declaration on Human Rights](#)

[Article 25 of Universal Declaration on Human Rights](#)

[Article 9 of International Covenant on Economic, Social and Cultural Rights](#)

[Article 11 of International Covenant on Economic, Social and Cultural Rights](#)

[Article 12 of International Covenant on Economic, Social and Cultural Rights](#)

[Article 13 of International Covenant on Economic, Social and Cultural Rights](#)

Evaluation of Previous Attempts to Resolve the Issue

In the past, ending extreme poverty relied on the progress made in Africa. With the recent discovery of new natural resources and increasing work on the existing resources African countries are experiencing

rapid economic growth. Although the total wealth increased, these industries continue to enrich a small group of people. According to the World Bank, African countries' lack of improvement in the agricultural sector will continue to harm the poor and open the wealth gap. In wealthier countries the lack of participation in the industry is a key component of poverty. For example, in the United States an individual should participate in the workforce and save in order to overcome extreme poverty. Also, in countries like Bangladesh which have high work force populations with very low wages, governments are responsible for increasing the minimum wage. In the past, countries couldn't incorporate the mostly unskilled and poor individuals into the system.

Possible Solutions

Governments can increase the tax rates on high income individuals and open programs to distribute the tax revenue to the poorer part of the population. Also, governments can nationalize big corporations and earn more. This saving made by the government can be used to increase the budget set aside for the public suffering from poverty. Additionally, building factories and giving tax benefits to the new companies can help resolve the problem because new factories will generate more job opportunities. Having a job will improve an individual's living standards. In addition to these, the IMF can limit some spendings of a government and increase the budget for spending.

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