



THE CAUSES OF INTERNATIONAL INEQUALITIES

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The Causes of International Inequalities

Last year, the 2024 Nobel Prize in Economics to Daron Acemoglu, Simon Johnson, and James A. Robinson marked one of the most significant global issues events. The three scholars have extensively analyzed, among other things, the historical roots of international inequalities. One particularly notable excerpt from the Academy's statement highlights their contribution:

“This year’s laureates have demonstrated that these initial differences in colonial institutions are an important explanation for the vast differences in prosperity that we see today (...) the parts of the colonised world that were relatively the most prosperous around 500 years ago are now those that are relatively poor. If we look at urbanisation as a measure of prosperity, this was greater in Mexico under the Aztecs than at the same time in the part of North America now called Canada and the USA. The reason is that European colonisers introduced or kept institutions promoting long-term prosperity in the poorest and most sparsely populated places. However, in the richest and most densely populated colonies, institutions were more extractive and – for the local population – less likely to lead to prosperity.”

From this statement, two crucial elements stand out for helping us understand socioeconomic inequalities worldwide:

1. Differential colonial types, not colonialism per se, are the source of inequalities.
2. International inequalities provide a more refined analytical framework than global ones.

1. The Type of Colonialism Shapes Inequalities

A frequently asked question is why there are such stark economic differences between someone born in Western Europe and someone born in Sub-Saharan Africa. While explanations vary, sometimes in speculative ways, the contribution of the three Nobel laureates is significant in that they not only highlight the role of colonialism—something already widely discussed by intellectuals from Africa, Asia, Latin America, Europe, and North America—but also emphasize the importance of the *type* of colonialism. Specifically, they distinguish between *settler colonialism* and *extractive colonialism*.

- **Settler Colonialism** occurred when colonizers had an interest in permanently settling in a territory, displacing the native population and establishing robust institutions, infrastructure, and public services—primarily for their own benefit, laying the foundation for economic growth. Examples include the United States, Canada, Australia, and, more recently, Israel.
- **Extractive Colonialism** occurred when colonizers did not settle in large numbers but exploited the local economy from a distance. European conquest in Africa, where local labor was used to supply raw materials to European metropolises, is a prime example. This practice

led to a lack of investment in strong institutions and public services, leaving these territories with fragile economies and infrastructures built solely for colonial interests.

2. International Inequalities vs. Global Inequalities

Understanding the historical impact of colonialism helps distinguish between *international inequalities* and *global inequalities*. Each country in the Global South has experienced a specific colonial history, influencing its present economic standing.

- **International Inequalities** compare nations: for example, they compare the average income of an Italian citizen versus that of an Indian citizen. This approach considers historical and political factors (such as the type of colonialism) that have shaped a country's current situation.
- **Global Inequalities**, on the other hand, compare broader economic segments, for instance the wealthiest 20% of humanity versus the poorest 20%. This approach often ignores historical and political causes, reaching potentially misleading conclusions.

For instance, China has often been categorized as part of the Global South. Because of its rapid economic growth in recent decades, some have argued that global inequality is decreasing and that market mechanisms alone are sufficient to reduce disparities. However, if we compare instead the average income of the 20 richest nations to that of the 20 poorest nations¹, a very different picture emerges—one that underscores the persistence of international inequalities and the need for policy interventions.

Teaching Such Topics in Schools

One way to explore such issues in schools (and beyond) is through the **GET project**, which offers free educational resources, including:

- **Big Ideas on Inequalities** <https://www.globaleducationtime.eu/big-ideas-on-international-inequalities/>
- **The Global Geo-History Textbook** <https://www.globaleducationtime.eu/textbook/>

1. The authors of this paper have attempted to compare the data on Gross Domestic Product (GDP) per capita - at purchasing power parity - provided in 1999 by The Economist (starting from International Monetary Fund and World Bank sources) and in 2022 by the International Monetary Fund itself. The comparison was carried out between the 10th country with the highest GDP per capita and the 10th with the lowest GDP per capita. This difference in 1999 was 27.8 times (between Denmark and Yemen), in 2022 it had risen to 45.6 times (between Norway and Chad).