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Global Inequality in Sociological Perspective: The Intersection of Political Economy, Public Policy, and Social Justice

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ABSTRACT

Global inequality the systematic and persistent disparity in economic resources, political power, and social opportunities across nations and within societies represents one of the most consequential and theoretically rich problems in contemporary social science. Despite decades of economic growth, the period from 2000 to 2024 has witnessed not a convergence of global living standards but their persistent and in some respects deepening divergence: the top one percent of the global population now commands 45.6 percent of total global wealth, while the bottom fifty percent holds only 1.6 percent. This article develops a comprehensive sociological analysis of global inequality through an integrative theoretical framework that brings together the political economy tradition (Wallerstein's world-systems theory, Harvey's accumulation by dispossession, Piketty's capital dynamics), social justice theory (Rawls's difference principle, Sen's capability approach), and public policy analysis (redistribution mechanisms, fiscal capacity constraints, global governance failures). Through systematic qualitative literature review and secondary analysis of global and Indonesian inequality data from major international databases, the study examines three interrelated dynamics: the structural mechanisms through which global capitalism produces and reproduces inequality across and within nations; the public policy frameworks available for addressing inequality and their structural limitations; and the social justice principles that should guide inequality reduction efforts in both national and global governance. Applied to the Indonesian case which exhibits persistently high wealth concentration despite significant poverty reduction the analysis identifies the tax capacity gap, informal economy informalization, and illicit financial flow problem as the most critical structural constraints on effective inequality policy. The findings argue for multi-level governance reforms that address inequality at the global structural level alongside national policy interventions.

Keywords

accumulation by dispossession; capability approach; global inequality; Harvey; Piketty; political economy; Rawls; Sen; social justice; world-systems theory



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1. Introduction

In January 2023, Oxfam International released a report documenting a finding that encapsulates the central paradox of contemporary global inequality: in the two years following the

onset of the COVID-19 pandemic a period during which tens of millions of people globally fell back into poverty the world's ten wealthiest individuals doubled their fortunes, accumulating more wealth than the combined economies of more than 140 nations. The pandemic, widely characterized at its outset as a 'great equalizer,' had in practice accelerated the very inequality dynamics it was initially imagined to transcend: governments printing trillions in stimulus that flowed primarily to asset holders through inflated equity and property markets; service sector workers in precarious informal employment losing their livelihoods without social protection cushioning; and developing nations accumulating debt while wealthy nations secured vaccine supplies (Oxfam, 2023; Chancel et al., 2022). The sociological question that this disparity demands is not merely descriptive how much inequality exists but structural and normative: what mechanisms produce and reproduce global inequality, what public policy responses are available and effective, and what principles of social justice should guide efforts to address it?

These questions are simultaneously among the oldest and most contemporary in sociology. From Marx's analysis of the extraction of surplus value to Durkheim's concern with anomic economic individualism, from Weber's analysis of status hierarchy and life chances to Parsons's functionalist account of stratification as motivational necessity, inequality has been a central preoccupation of sociological theory. The contemporary period demands an engagement with these classical resources that also incorporates the specifically global dimensions of inequality that distinguish twenty-first-century inequality dynamics from those of earlier periods: the role of transnational corporations in organizing global value chains that systematically channel value from periphery to core; the financialization of global capital that enables rapid cross-border asset accumulation decoupled from productive activity; the proliferation of tax havens and illicit financial flows that drain developing country fiscal capacity; and the digital platform revolution that has produced a new stratum of hyper-concentrated wealth anchored in network effects and data monopoly.

Indonesia provides a particularly instructive case for the analysis of global inequality dynamics in the Global South context. With a Gini coefficient of 0.381 in 2024 significantly above the OECD average of 0.314 despite decades of poverty reduction Indonesia exhibits the pattern that Milanovic (2020) identifies as characteristic of rapidly growing middle-income economies: significant

absolute poverty reduction coexisting with persistently high relative inequality, as economic growth benefits disproportionately accrue to those with asset ownership capacity. The Indonesian case also illustrates the structural fiscal capacity constraint: with a tax-to-GDP ratio of only 10.4 percent compared to an OECD average of 34.1 percent Indonesia lacks the fiscal resource base to finance the social expenditure levels that cross-national evidence associates with effective inequality reduction. This fiscal constraint is compounded by an estimated USD 47 billion annual illicit financial outflow corporate tax avoidance, transfer mispricing, and capital flight that represents a structural leakage from the resource pool available for inequality-reducing public investment (GFI, 2024; World Bank, 2024).

This article advances three principal arguments. First, global inequality is not a market imperfection or policy failure but a structural feature of the global capitalist system, produced and reproduced through mechanisms that operate simultaneously at the global level (world-systems hierarchy, financial architecture, trade governance) and the national level (tax policy, labor market regulation, social protection) requiring analysis and policy responses at both levels. Second, effective public policy for inequality reduction in the Global South context faces structural constraints fiscal capacity deficits, illicit financial flows, global governance asymmetries that cannot be overcome through national policy action alone, requiring global governance reforms that are themselves the subject of intense political contestation. Third, social justice theory particularly Sen's capability approach and Rawls's difference principle provides normative frameworks that are more demanding than current policy discourse acknowledges, calling for institutional designs that actively prioritize the substantive freedom and life chances of the least advantaged.

2. Literature Review and Theoretical Framework

2.1 World-Systems Theory and Global Structural Inequality

Immanuel Wallerstein's world-systems theory (Wallerstein, 2019, 2020) provides the most structurally comprehensive account of global inequality's origins and reproduction. For Wallerstein, the modern world-system is a single capitalist economy organized through an international division of labor that systematically channels surplus value from peripheral and semi-peripheral nations to core nations through unequal exchange: peripheral nations export raw materials and labor-intensive manufactures at prices that do not reflect their true social costs, while core nations export capital-

intensive, high-value-added goods and services at prices that appropriate a disproportionate share of the global surplus. This structural inequality is maintained not through conspiracy but through the institutional architecture of the global economy—international trade law, intellectual property regimes, financial governance arrangements—that systematically favors core nations and the transnational corporations headquartered within them.

The world-systems framework has been criticized for its structural determinism and its difficulty in accounting for the developmental success of nations like South Korea, Taiwan, and China that appear to have escaped peripheral status through deliberate state developmental strategy (Rodrik, 2019). These critiques are theoretically productive: they direct attention to the conditions under which semi-peripheral agency can challenge world-systemic hierarchy, and to the role of state capacity and developmental policy in shaping national trajectories within the world-system. For Indonesia, the world-systems framework illuminates the structural constraints facing a resource-rich economy whose value capture from primary commodity production has been systematically limited by the terms of global commodity trade and the transfer pricing practices of transnational corporations operating in its extractive sector.

2.2 Piketty's Capital Dynamics and Accumulation

Thomas Piketty's *Capital in the Twenty-First Century* (2022) provides the most empirically grounded account of the mechanisms through which wealth concentration intensifies over time within capitalist economies. Piketty's central thesis—that the rate of return on capital (r) systematically exceeds the rate of economic growth (g) under normal conditions, with the exception of the mid-twentieth century period of high growth and capital destruction—implies a structural tendency toward wealth concentration that can only be interrupted through extraordinary political and institutional interventions (wars, progressive taxation, labor market regulation). The historical data Piketty and his collaborators have assembled from national wealth accounts documents this tendency across multiple national contexts and historical periods, including in Indonesia where the wealth share of the top one percent has remained persistently high despite significant absolute poverty reduction.

The policy implications Piketty draws from this analysis are significant: only a global progressive wealth tax—coordinated internationally to prevent capital flight to tax havens—can address

the structural mechanisms of wealth concentration documented in his analysis. The political obstacles to such a reform are enormous, but Piketty's framework at minimum establishes the theoretical case that national-level redistributive taxation is structurally insufficient in a world of highly mobile capital, requiring precisely the global governance reform that Wallerstein's framework also implies. For Indonesia, Piketty's framework explains why the tax-to-GDP ratio of 10.4 percent even with expansion may be insufficient to fund the social investment needed to reduce wealth concentration, given the structural advantage of capital accumulation over wage growth.

2.3 Social Justice Theory: Rawls and Sen

John Rawls's theory of justice as fairness (Rawls, 2020) provides the most influential philosophical framework for thinking about the principles that should govern the distribution of benefits and burdens in a just society. Rawls's thought experiment of the 'original position' behind a 'veil of ignorance' that prevents agents from knowing their place in society generates two principles of justice: the liberty principle (equal basic liberties for all) and the difference principle (social and economic inequalities are justified only if they benefit the least advantaged members of society). The difference principle is particularly significant for inequality analysis: it does not require equal outcomes, but it does require that institutional arrangements be designed to maximize the position of the worst-off group a standard that current global institutional arrangements plainly fail to satisfy.

Amartya Sen's capability approach (Sen, 2019) supplements Rawls's framework with a more substantive and contextually sensitive account of what equality requires. For Sen, the relevant metric of equality is not formal equal opportunity or equal primary goods but equal capability equal substantive freedom to achieve valued functionings. This shift of evaluative focus from resources to capabilities is particularly significant for inequality analysis in developing country contexts: it reveals that income poverty is an inadequate measure of the deprivation experienced by communities who lack access to healthcare, education, clean water, political voice, and cultural expression, regardless of their income level. Sen's framework demands that inequality policy address these multidimensional capability deprivations alongside income distribution, an agenda that substantially exceeds the redistributive aspirations of most contemporary public policy frameworks.

3. Methodology

This study employs systematic qualitative literature review integrated with secondary quantitative data analysis. The literature review accessed Scopus, Web of Science, and Google Scholar databases using search terms including 'global inequality political economy,' 'Wallerstein world-systems inequality,' 'Piketty capital inequality,' 'Sen capability poverty,' 'Rawls difference principle policy,' 'Indonesia inequality fiscal policy,' and 'illicit financial flows developing countries.' Secondary data was drawn from the World Inequality Database (WID, 2024), UNDP Human Development Report (2024), World Bank Poverty & Inequality Platform (2024), OECD Revenue Statistics (2024), Global Financial Integrity Report (2024), and BPS Indonesia (2024). The analytical framework integrates world-systems theory, Piketty's capital dynamics, Harvey's accumulation by dispossession, Rawls's justice framework, and Sen's capability approach.

4. Results and Discussion

4.1 Analytical Framework: Political Economy, Policy, and Justice

Figure 1 presents the integrative analytical framework, mapping five theoretical traditions against the mechanisms of inequality production, public policy entry points, and social justice implications.

Figure 1. Analytical Framework: Global Inequality Intersections of Political Economy, Public Policy, and Social Justice			
Theoretical Tradition	Mechanism of Inequality Production	Public Policy Entry Point	Social Justice Implication
Wallerstein's World-Systems Theory	Core-periphery structure: capital accumulation in core nations through surplus extraction from periphery and semi-periphery via unequal exchange, TNC operations, and debt dependency	Structural reform of global trade and financial governance; debt relief and restructuring for periphery states; FDI regulation prioritizing technology transfer	Distributive justice: restructuring global terms of exchange to enable periphery capital accumulation; right to development as international obligation
Piketty's Capital in the 21st Century	$r > g$ dynamic: return on capital consistently exceeds economic growth rate, generating progressive wealth concentration; inheritance	Progressive wealth taxation; inheritance tax reform; universal capital endowment; pre-distribution policies equalizing asset ownership at market entry	Intergenerational justice: preventing dynastic wealth accumulation that forecloses equal opportunity; democratic control over concentration of economic power

	transmission of accumulated advantage		
Harvey's Accumulation by Dispossession	Neoliberal primitive accumulation: privatization of public goods, financialization, commodification of commons; state-backed dispossession of assets from subaltern classes	Re-regulation of financial sector; protection of public goods from privatization; commons governance frameworks; land reform in dispossession-affected regions	Recognitional justice: acknowledgment of dispossession's harm and obligation of redress; participatory rights of affected communities in resource governance
Sen's Capability Approach	Capability deprivation: poverty as unfreedom denial of substantive capabilities to live valued lives; income poverty inadequate measure of multidimensional deprivation	Multidimensional social investment: education, health, social protection, political voice; human rights-based policy frameworks addressing capability floors	Substantive equality: equal capability to achieve valued functionings, not merely formal equal opportunity; recognition of diverse human needs and life plans
Rawls's Justice as Fairness	Original position argument: inequality justified only if it benefits the least advantaged; difference principle as constraint on permissible economic arrangements	Difference principle-guided redistribution; basic structure of society designed to maximize position of worst-off group; priority rules protecting basic liberties	Procedural justice: fair institutional design ensuring equal basic liberties and fair equality of opportunity before addressing distributional outcomes
Source: Authors' synthesis adapted from Wallerstein (2019), Piketty (2022), Harvey (2020), Sen (2019), and Rawls (2020).			

Source: Authors' synthesis adapted from Wallerstein (2019), Piketty (2022), Harvey (2020), Sen (2019), and Rawls (2020).

4.2 Empirical Evidence: Global and Indonesian Inequality Indicators

Table 1 presents key indicators of global and Indonesian inequality, situating the Indonesian case within the global comparative context.

Table 1. Global and Indonesian Inequality Indicators: Trends and Policy Implications (2018–2024)				
Indicator	Global 2019	Global 2024	Indonesia 2024	Policy / Justice

				Implication
Top 1% wealth share (% of total wealth)	44.8%	45.6%	38.7%	Piketty $r > g$: progressive wealth tax imperative
Bottom 50% wealth share (% of total wealth)	1.8%	1.6%	3.2%	Redistributive floor: universal capital endowment programs needed
Gini coefficient (income inequality)	0.668	0.672	0.381	Persistent concentration despite growth; OECD avg 0.314
Poverty headcount at \$2.15/day PPP (%)	8.4%	7.1%	0.9%	Absolute poverty declining but multidimensional poverty persists
Human Development Index (HDI) gap: high vs. low HDI nations	0.427	0.418	HDI: 0.713	Sen capability gap: 30+ year life expectancy differential persists
Government social expenditure (% GDP)	OECD: 20.1% Global South: 8.4%	OECD: 21.3% Global South: 9.2%	7.8% (below avg)	Public policy gap: inadequate social investment relative to need
Tax revenue as % of GDP	OECD: 33.8% Indonesia: 10.2%	OECD: 34.1% Indonesia: 10.4%	10.4%	Fiscal capacity crisis: insufficient revenue base for redistribution
Illicit financial flows (Global South, USD billion/year)	1,820	2,140	Est. 47 (Indonesia)	Harvey dispossession: capital outflows undermine domestic development capacity
Source: Adapted from World Inequality Database (WID, 2024); UNDP Human Development Report (2024); World Bank Poverty & Inequality Platform (2024); OECD Revenue Statistics (2024); GFI Illicit Financial Flows Report (2024); BPS Indonesia (2024).				

The data reveals a troubling global picture: despite decades of development effort and economic growth, wealth concentration has intensified the global top 1% share has risen from 44.8% to 45.6% between 2019 and 2024, while the bottom 50% share has fallen from 1.8% to 1.6%. This is precisely the dynamic that Piketty's $r > g$ thesis predicts: in the absence of powerful countervailing institutional forces, capitalism's structural tendency toward wealth concentration continues to operate. The COVID-19 pandemic, far from equalizing, accelerated wealth concentration as government stimulus disproportionately benefited asset holders through equity market recoveries.

The Indonesian data reveals both achievements and structural constraints. Indonesia's poverty headcount at \$2.15/day has fallen to 0.9% a significant achievement but its Gini coefficient remains at 0.381, far above OECD averages, indicating that poverty reduction has occurred alongside persistent inequality. The critical structural constraint is fiscal: with a tax-to-GDP ratio of only 10.4% and an estimated USD 47 billion annual illicit financial outflow, Indonesia lacks both the revenue and the revenue retention capacity to finance the social investment that cross-national evidence associates with effective inequality reduction. This fiscal capacity crisis is not unique to Indonesia it characterizes most Global South economies but its severity in Indonesia is compounded by the relative weakness of progressive taxation and the prevalence of tax avoidance by the affluent.

4.3 Mechanisms of Structural Inequality Reproduction

Harvey's concept of 'accumulation by dispossession' (Harvey, 2020) provides the analytical vocabulary for understanding the most acute forms of inequality generation in contemporary Indonesia. Harvey argues that the classical Marxian mechanisms of surplus value extraction from wage labor are supplemented in neoliberal capitalism by a range of practices privatization of public goods, commodification of previously uncommodified domains, financial predation that transfer wealth from the poor to the rich not through production but through dispossession. In the Indonesian context, accumulation by dispossession is most dramatically visible in the land rights conflicts that have accompanied plantation expansion, mining operations, and urban development: communities whose livelihoods depended on customary land access have been dispossessed of that access through legal mechanisms concession licensing, land acquisition law that transfer land value to corporate actors while providing inadequate compensation to displaced communities.

The plantation sector is paradigmatic. Research by Robison and Hadiz (2019) and Sukmana (2022) documents how Indonesia's palm oil, coal, and nickel industries have generated enormous wealth for a small number of business-political oligarchs many with connections to the political elite while generating environmental destruction, community dispossession, and labor conditions that systematically prevent the accumulation of productive assets by the communities hosting the extraction. This is Harvey's dispossession dynamic in precise operation: the privatization and commodification of natural resources that communities had previously used as common-pool

resources, transferred to capitalist enterprises through legal mechanisms that formal law validates as property rights.

4.4 Public Policy for Inequality Reduction: Structural Constraints and Possibilities

The most fundamental constraint facing Indonesian inequality reduction policy is fiscal: the 10.4% tax-to-GDP ratio means that the Indonesian state has dramatically less revenue relative to its economy than the states of comparably developed nations, severely limiting its capacity for the social investment that cross-national evidence consistently associates with inequality reduction. Expanding this ratio toward the 15-20% range that represents a plausible medium-term target given Indonesia's development level requires simultaneous progress on multiple fronts: broadening the formal economy through policies that bring informal sector workers and businesses into the formal tax base; strengthening tax administration capacity to improve compliance among those formally registered; reforming the tax structure to increase the progressivity of wealth and income taxation; and addressing the illicit financial flow problem through both domestic anti-corruption measures and international tax transparency cooperation.

Sen's capability framework implies that effective inequality reduction policy must extend beyond fiscal redistribution to encompass the full range of public investments that expand the substantive freedoms of the least advantaged. The UNDP Human Development Report (2024) consistently documents that income gains for the poor are multiplied in terms of capability expansion when accompanied by parallel improvements in health, education, and social protection access. For Indonesia, this implies priority investment in universal health coverage consolidation (BPJS Kesehatan quality and access), equalization of educational quality across the enormous urban-rural divide, and social protection program design that reaches the most vulnerable households who currently fall through the gaps of existing programs.

5. Conclusion

This article has developed a sociological analysis of global inequality through an integrative theoretical framework bringing together world-systems political economy, Piketty's capital dynamics, Harvey's accumulation by dispossession, Rawls's justice framework, and Sen's capability approach. The analysis has demonstrated that global inequality is a structural feature of global capitalism requiring both global governance reform and national policy action; that Indonesia's persistent

inequality despite significant poverty reduction reflects structural fiscal capacity constraints and accumulation by dispossession dynamics alongside the global wealth concentration mechanisms Piketty documents; and that social justice theory demands substantially more ambitious inequality reduction frameworks than current policy discourse acknowledges.

The convergent implication of the theoretical frameworks reviewed is that inequality reduction at the scale required by both empirical evidence and social justice principles requires transformations that exceed the capacity of any individual nation acting alone: coordinated international tax governance to address illicit financial flows and wealth tax avoidance; reform of global trade and financial architecture to improve the terms of exchange for periphery nations; and the construction of global redistributive mechanisms analogous to the domestic welfare states that enabled inequality reduction in twentieth-century advanced economies. These reforms face formidable political obstacles the same oligarchic interests that benefit from current global inequality arrangements command extraordinary political influence but the sociological analysis of their structural necessity is the prerequisite for the political mobilization required to achieve them.

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