High, Middle and Low Income Countries

by Sophia Tutorial

≔ WHAT'S COVERED

This tutorial will cover the classification of countries by income, through the definition and discussion of:

1. Classification of Countries by Income
2. High Income Countries
3. Middle Income Countries
4. Low Income Countries

1. CLASSIFICATION OF COUNTRIES BY INCOME

Social scientists delineate the countries of the world in terms of income: high income, middle income, and low income countries. Countries are now classified this way, since the Berlin Wall fell in 1989 and ended the Cold War.

⑦ DID YOU KNOW

You might be more familiar with terminology such as first world countries, second world countries, third world countries, etc. This kind of terminology came from the Cold War--first world described the capitalist countries, second world described the Soviet countries, and third world was basically everybody else.

Now that the Cold War isn't happening anymore, and people aren't so concerned about the socialist/capitalist divide, these categories don't make a lot of sense, so a better way to capture the stratification across the globe is to do so based on income, or the GDP per capita.

GDP is an economic term that stands for Gross Domestic Product, which is basically a way to measure the amount of output the economy is producing. 'Output' and 'income' are synonymous in economic terminology, therefore this measures the amount of income that a country has. When you divide the amount of income that the country has by the number of people in that country, you arrive at the gross domestic product per person, or per capita.

High income, mid income, and low income countries use this measure, and it's much better for today's society because it allows countries to move.

↪ **EXAMPLE** If a country got more income per capita and the economy could expand, it could become a high income country. Chile, for example, is now a high income country, but in the Cold War model, it was a

third world country. In the Cold War model, the categories tended to be more fixed.

2. HIGH INCOME COUNTRIES

What defines a high income country, middle income country, and a low income country?

For starters, **high income countries** have an average GDP per capita of over $12,000.

This is actually on the low end -- countries can be much higher than that. The United States, for instance, has an average per capita income of $45,000, which is quite higher than $12,000. However, $12,000 is the threshold to be considered relatively well-off relative to the other countries in the world.
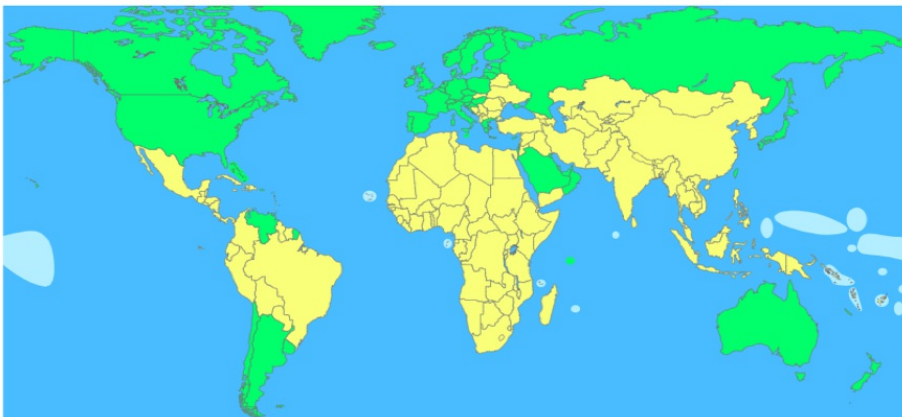
⊘	DID YOU KNOW

The countries that are in the high income category account for 80% of the world's wealth, which is an astonishing figure.

When you think about it, the world is dramatically unequal. High income countries are what is commonly called the "Global North," consisting of European countries in Western Europe--Spain, Portugal, France, Germany, Great Britain, Norway, Sweden, and Denmark. It also includes America, Canada, and Russia.

High Income Countries

You'll notice that if you were to look at all these countries on the globe, they would be in the Northern part of the globe, which is where most of the world's wealth is concentrated--hence the expression, the "Global North." There are some high income countries in South America, such as Argentina and Chile. Saudi Arabia, Australia, and New Zealand are also high income countries.

These countries were the first to industrialize, the first to develop industrial capitalism, the reason why being a hotly debated topic.

⊚	LEARN MORE

Geographer Jared Diamond wrote a book called Guns, Germs, and Steel, speculating about the reason why these Global North countries were the first to adopt capitalism and the first to industrialize.

Regardless, being the first to industrialize unquestionably gave them a head start. When industrial production

increased productivity, it gave the countries the economic might to bully other countries around, like colonial power and colonial expansion. These are the countries that currently have unanimous computer technology, and industrial production is widespread, so they can control the global economy.

> ⮌ EXAMPLE The price of Peruvian coffee--Peru not being a high income country--is largely determined by the market vicissitudes of high income countries. High income countries are able to hold on to their power because they can bully other countries around and control the global economy.

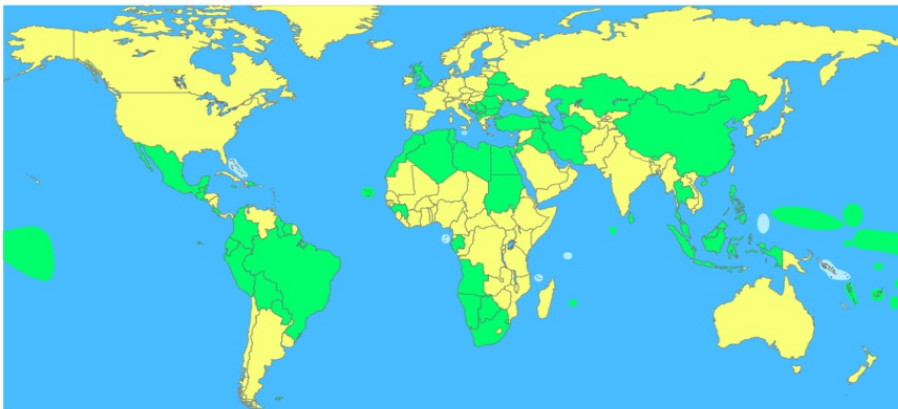📄 TERM TO KNOW

High Income Countries
Countries with an above average standard of living as measured against the average global standard of living.

3. MIDDLE INCOME COUNTRIES

Middle income countries have an average GDP per capita--annual income--between $2,500 and $12,000.

About 57% of humanity actually lives in these countries, a percentage that is driven in large part by China, which is a middle income country. China is on the rise and is likely to advance into the high income country category within the 21st century, but right now it is still a middle income country, along with many former Soviet countries like Kazakhstan, Belarus, Ukraine, and Mongolia. Many countries in South America--Brazil, Colombia, Peru--are also middle income countries.

Middle Income Countries

Slightly over half of the people within each middle income country live in cities. The remainder--just under half--live in rural areas. These countries' industrial jobs are in the cities, but a lot of people still farm for a living out in the country. Critically, internet access and advanced computational and information processing technologies are not as readily available in **middle income countries**.
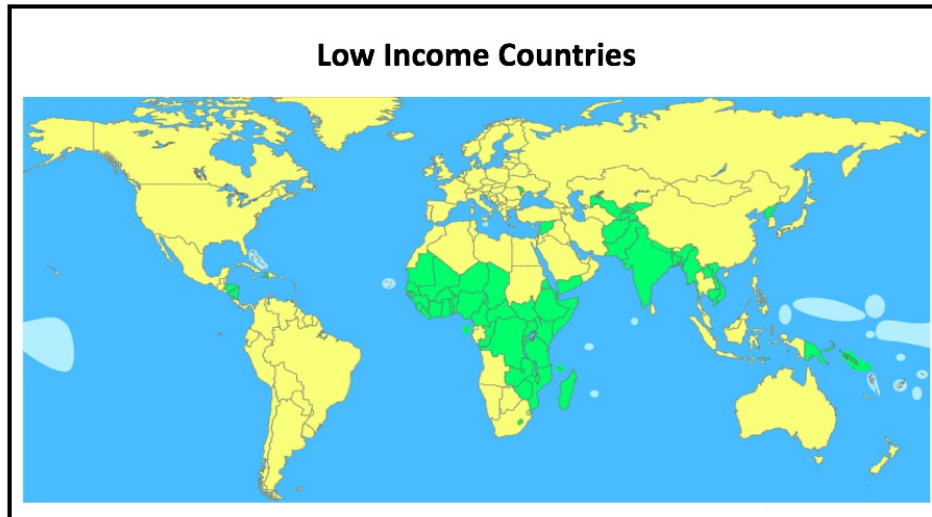
📄 TERM TO KNOW

Middle Income Countries
Countries with a standard of living that is consistent with the global average.

4. LOW INCOME COUNTRIES

Low income countries account for 20% of the world's people, who make less than $2,500 annually.

These countries are primarily concentrated in Africa, but there are some in Southeast Asia, like Myanmar (formerly Burma) and in the Middle East, such as Afghanistan and Pakistan.

Low income countries are primarily rural and agrarian--their economies are not concentrated in cities and there's not a lot of industrial production. The people are more traditionally rural dwellers, using rural cultivation methods. They have problems with population density and disease, problems that have been largely eradicated in high income countries. However, because of the lack of income to combat them, these countries have these problems and suffer greatly because of them.

⚙️ **THINK ABOUT IT**

Can you imagine living on less than $1 a day? That is a situation that many people in the world have to deal with, and it's almost unimaginable for most Americans, who take much for granted. Yet other people live radically different, much poorer lives.

> **IN CONTEXT**
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> Suppose a child from a prosperous American family sees a commercial asking for money to donate to help children in a poor country. The commercial shows these children struggling to get to school over a dangerous footbridge.
>
> The American child might ask, innocently, "Why don't they just drive to school?" In the American child's frame of reference, it's difficult to relate to children in a poor country, who don't have access to the same things. This illustrates the level at which Americans--and their children--living in a high income country, take their lives for granted.

📄 **TERM TO KNOW**

Low Income Countries

Countries with a below average standard of living as measured against the global average.

📋 SUMMARY

Today you learned about the **classification of countries by income**, exploring a descriptive overview of **high income**, **middle income**, and **low income countries**, and some of the characteristics and differences of each.

Source: This work is adapted from Sophia author Zach Lamb.

📄 TERMS TO KNOW

High Income Countries
Countries with an above average standard of living as measured against the average global standard of living.

Low Income Countries
Countries with a below average standard of living as measured against the global average.

Middle Income Countries
Countries with a standard of living that is consistent with the global average.