



## **Oxfam is wrong, it's the economic freedom that helps the poor**

*Oxfam's obsessive and inaccurate focus on inequality ignores the incredible progress economic freedom has achieved for the world's poorest, writes Generation Liberty contributor Daniel Press.*

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A few weeks ago, as the World Economic Forum was convening in Davos, the international aid organization Oxfam re-released a report titled *An Economy for The 1%: How privilege and power in the economy drive extreme inequality*, supposedly in order to curse our heartless, money grubbing, free market system. In reality, the report shows just how little Oxfam understands about what drives poverty reduction. Riddled with contentious conclusions and blatantly skewed data, the report holds two exceptionally stark results.

The first is their claim that the eight richest people in the world have the same wealth as the bottom 50 per cent. A quick look over the data shows this to be false. The second is the claim that improvements to the world's poor are being held back by free market-induced inequality. This couldn't be further from the truth. The past few decades have not only seen a convergence of global wealth, but also historic declines in poverty. Despite Oxfam's wishes, this has all occurred as the world becomes increasingly freer.

The incredible wealth disparities espoused by Oxfam were based off of research conducted by Credit Suisse into *net household wealth* – that is, assets minus debts. Using this data, the claim that the bottom half of the world's population owns the same as the richest 8 people in the world was made. There is a problem of measurement here. By using net household wealth, Oxfam conceives that anyone who has greater debts than assets, due to investments in housing or education, is poorer than someone without. Stunningly, this means that 30% of the world's poorest reside in the rich countries of Europe and North America, not Africa or Asia.

Equally as ridiculous, college students taking out loans with little assets are all included in the poorest 50% of the world. That a Harvard student living in a furnished dorm complete with a

MacBook Pro and \$7 Starbucks is considered one of the most impoverished people in the world is surely not an accurate reflection of global inequality.

**Even if we were to assume that Oxfam's statistics were to be correct, would it really matter?**

Oxfam insists that it does, asserting the fixed-pie fallacy, that “The fight against poverty will not be won until the inequality crisis is tackled.” Recent history quickly debunks this myth. Between 1990 and 2010, the number of people living in extreme poverty fell by half, a reduction of almost 1 billion people. Even more incredibly, this last year saw that level fall below 10% for the first time *ever*. The rate at which this is happening is truly phenomenal – every minute that passes sees another 100 people lifted out of poverty. This is all while increasing inequality supposedly holds poverty reduction back. Given their assumption, it would be interesting for Oxfam to explain why global poverty is in fact at an all-time low.

But what makes this story more interesting, however, is that global inequality is actually reversing. Billionaire and generous philanthropist, Bill Gates, one of the 8 members lamented by Oxfam, explains, “The speed of reduction in global inequality is faster than ever in history. It’s mind-blowing.” As the Our World In Data graph details below, after two centuries of increasing inequality, the trend is finally reversing. Whilst the 1800s were a period of abject poverty, and the 1970s a much more starkly divided world, we are currently living in the richest, most equal time in modern history.

This of course, leads us to the mistaken conclusion that global poverty reduction is being held back by the free market. The evidence couldn’t be more contrary. This unprecedented drop in poverty has coincided with a significant increase in global economic freedom. The opening up of China, collapse of the Soviet Union, and ever-greater globalization has created unstoppable momentum toward a freer world. Market reforms involving liberalized trade, reduced regulations, and secure property rights, have help deliver these drastic improvements to the poor everywhere.

Contrary to Oxfam’s belief, the world is not a fixed pie where people are enriched at the expense of the poor; the beauty of voluntary exchange is that both parties to a transaction are made better off, and the economy grows. The free market, despite its critics, continues to drive progress for the world’s poor, and we should never lose sight of that.