

The Oxfam Inequality Report Is Telling The Wrong Story

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The world is getting much, much, more equal, although you might not believe that when you read today's headlines. Every year when the world's best and brightest descend on Davos to attend the World Economic Forum's annual summit, Oxfam points to the huge disparity in wealth between the attendees and the rest of us. According to Oxfam, eight billionaires own as much as the poorest half of the world.

Oxfam's data itself is pretty solid. It comes from a good source in Credit Suisse. And even when you control for the fact that high-earning Harvard Law Grads with massive student loans drag down the overall wealth of the bottom 50%, the data stands up remarkably well.

The problem is Oxfam are telling the wrong story. They blame Bill Gates and Mark Zuckerberg's big bank accounts for everything from Brexit to Trump. They argue that increasing returns to those at the top is to blame for poverty at the bottom. And that we must fundamentally change our economic model to fix this. But it couldn't be further from the truth.

Neoliberal reforms, where markets are opened up, regulations are scrapped and property rights enforced, have delivered dramatic progress in the fight against poverty. From India and Bangladesh to China and Vietnam, the story of the last three decades is freer trade and freer markets eliminating poverty.

Indeed, it's those countries who've tried to do things differently that have bucked the trend. Look at Venezuela, where extreme poverty has increased since 2000 and less-extreme (but still unpleasant) poverty more than doubled in 2015.

The story of the last 40 years is one of extraordinary achievement. Poverty has fallen dramatically.

Back in 1977 nearly one in five children born would die before the age of five. It's closer to one in forty now and still falling.

As recently as 1990, 40% of the world lived on less than \$1.25, it's now fallen to less than 15% of the world. Swedish economist Johan Norberg points out that every minute 100 people are lifted out of poverty.

And here's the kicker, on most measures inequality itself has fallen. Economist Branko Milanovic points out that over the past twenty or so years income inequality has fallen over the globe.

But rather than beating the drum for the free-market reforms pursued by so many developing countries that boost everyone's incomes, Oxfam have chose to tell a story that assumes the pie is fixed. That increased wealth for Gates, Zuckerberg and Bezos means less wealth for everyone else.

That's simply not true, they became rich by creating products that benefit everyone. Wealth inequality is a side effect of stability. The three biggest equalisers of wealth in British history? Two World Wars and the Black Death. Recently? The Financial Crisis.

We should stop worrying about the relative gap between the richest and poorest. Instead, it should be on the absolute condition of the worst of that we focus our concern.

And when it comes to improving the absolute condition of the poorest, it's the pro-market reforms pursued in China, India, and Vietnam that Oxfam should be advocating.