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Don't listen to the naysayers: Global inequality is in decline

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In many countries, inequality has increased in recent decades. According to Oxfam International, global inequality has worsened and is "the result of a profoundly harmful and violent economic system." It goes hand in hand with globalization, many claim, contributing to the rise of populism.

But is inequality really a growing problem?

We should beware of false narratives and not ignore global data. So warns Branko Milanovic, a leading expert on inequality, in the current issue of *Foreign Affairs*. He presents data going back to 1820 and concludes that "the world is growing more equal than it has been in over 100 years."

According to Milanovic, from the 19th century onward global inequality grew until it peaked in 1988. It began to plummet especially in the last two decades until it reached the level it was at around 1875.

The share and absolute number of poor people in the world are diminishing, and an increasing number of people in poor countries are approaching the prosperity of rich-country citizens. Today, about 40 million Chinese have already reached the median U.S. income. That income is enjoyed by 165 million Americans. Milanovic estimates that within 20 to 30 years the populations of Chinese and Americans who earn the median U.S. income will be of equal size.

A large body of academic literature supports this dramatic story. But an accurate measure of living standards surely goes beyond income data. How have other indicators of human development performed?

In his recent book, *Human Development and the Path to Freedom*, professor Leandro Prados de la Escosura tries to answer those questions. He creates an index that incorporates indicators of health, education, income, and civil and political liberties dating back to 1870. His index improves on the United Nations' Human Development Index because, among other reasons, it takes freedom into account. Quite rightly, the professor asks: What is the point of certain advances if individuals do not also have the ability to set and achieve their own goals?

Prados de la Escosura found human well-being has improved markedly and that global inequality in well-being has been declining since the 1920s. This occurred even as global income inequality grew during much of the 20th century. Life expectancy, due in large part to medical knowledge coming from advanced (read: freer) countries, was a major contributor to closing the gap. Education was too. Global inequality began to close further with the rise of political and civil liberties in the late 20th century and the accelerated growth that followed.

A new study by Chelsea Follett and Vincent Geloso confirms these trends. The researchers take into account several additional indicators, such as nutrition and access to information, to create an even more comprehensive index of progress beginning in 1990. They find more dramatic gains than Prados de la Escosura did. Improvements in global welfare and equality, they conclude, are far greater than most people realize.

In Latin America, the region with the historically highest levels of inequality, income disparity has declined. There should be no doubt that the same is true for other indicators of well-being. Even in rich countries where income inequality has increased, other indicators of well-being, such as life expectancy, show a narrowing gap over the long term.

The decline in global inequality, especially during this era of globalization, has been profoundly progressive. It is important to recognize these advances in order to avoid false narratives and policies based on erroneous assumptions.

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