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The World's 85 Richest People are as Wealthy as the Poorest 3 Billion

What exactly does that mean?

[Derek Thompson](#) Jan 21 2014, 11:27 AM ET

The report that everybody's talking about this morning is [Oxfam's opus](#) on global inequality, which leads with an eye-popping statistic: The richest 85 people in the world own more wealth than the bottom half of the entire global population.

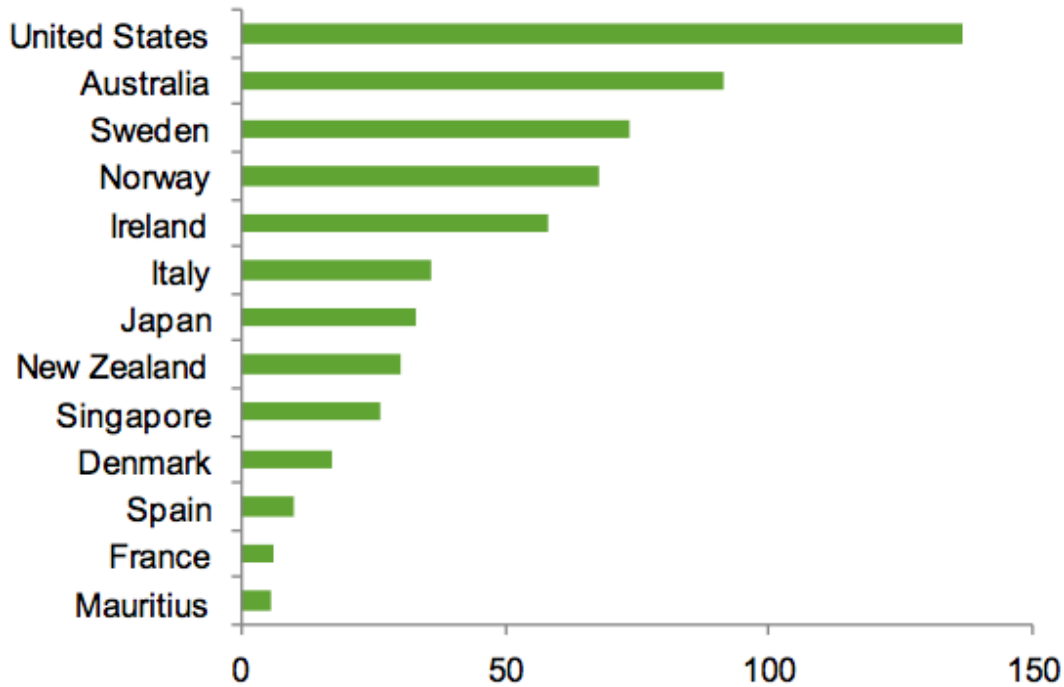
Yes, that equation works out to: $85 > 3,000,000,000$.

Before we dig into the document, a programming note about wealth inequality. Wealth isn't income. Salary is income. But investments—stocks, houses, or equity in a business—build wealth. Wealth comes from the money you don't immediately spend. Since poor people spend more of their income immediately, and rich people save/invest more of their income immediately, it's predictable that wealth inequality be much worse than income inequality.

That said, the document is full of figures that will make your head explode if you are about income inequality. Here are five.

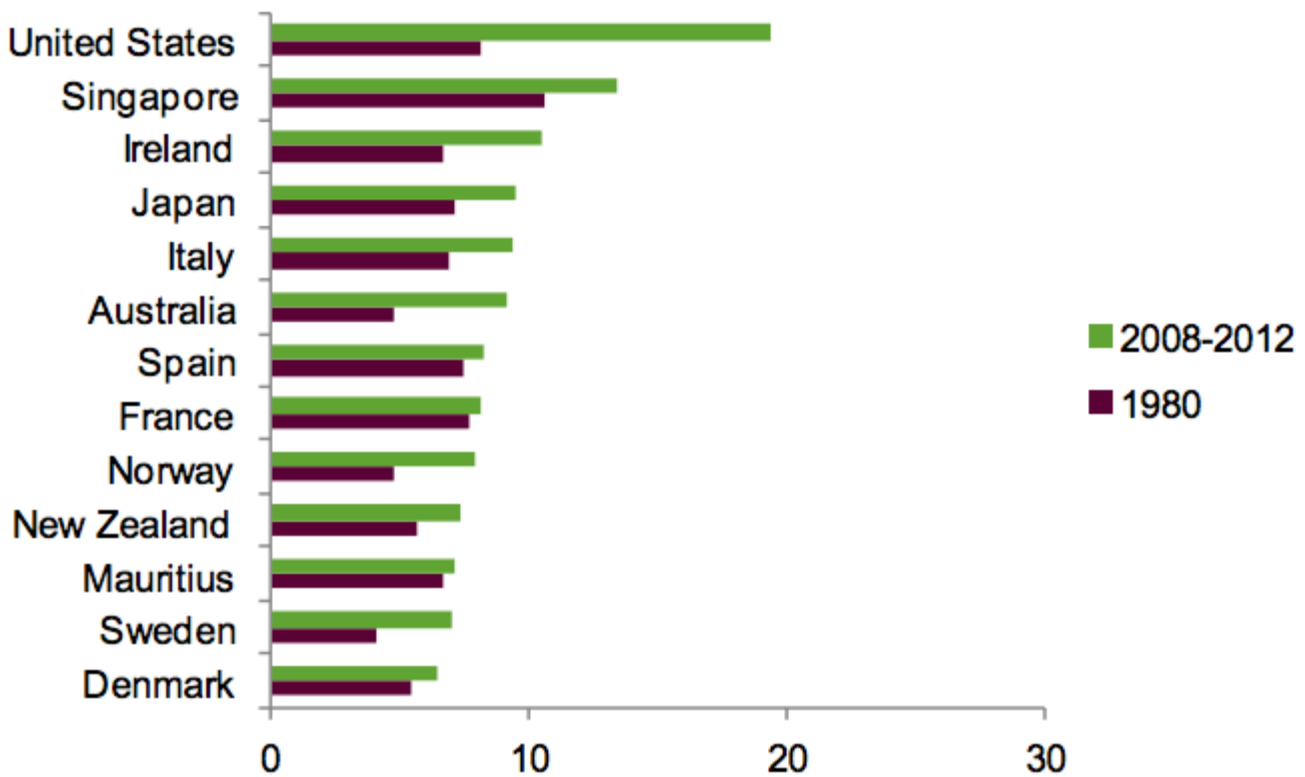
1) Seven in ten people live in countries where inequality has increased, and the United States is leading the wave. This graph from the report looks at national *income* (not wealth) accumulation to the top one percent, but it makes a clear point that inequality is rising everywhere, but nowhere more than the U.S.

The percentage increase in share of income of the richest one percent



2) The richest 1 percent saw its share of income rise in 24 out of 26 countries for which Oxfam collected data between 1980 and 2012. Again, the story here is the U.S. leading a global trend.

The share of national income going to the richest one percent

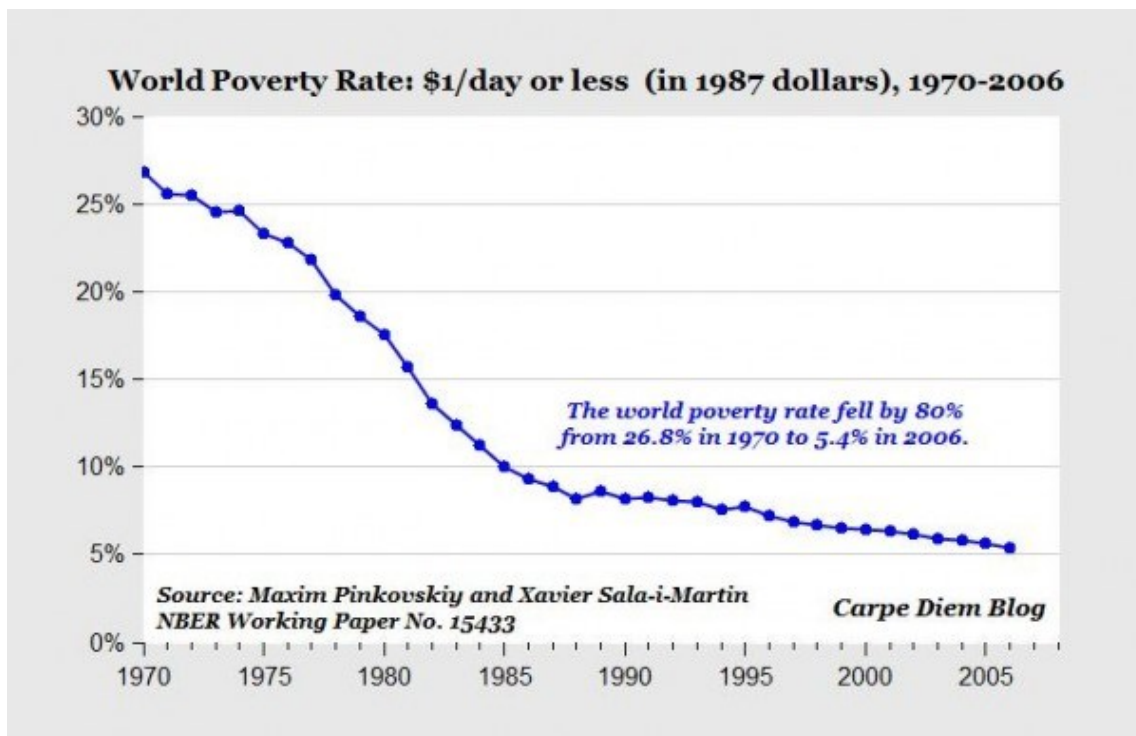


3) Related to the graph above: In the US, the wealthiest one percent "captured 95 percent of post-financial crisis growth since 2009," Oxfam reports. The bottom 90 percent actually lost wealth.

4) Every high-income G20 country is experiencing rising inequality except for South Korea. Meanwhile, numerous Latin American countries, including Brazil, Mexico, and Argentina, are seeing inequality levels decline thanks to a combination of income growth and high taxation and public spending.

5) The wealth of the one percent richest people in the world amounts to \$110 trillion—15x more than the wealth held by the bottom 70 percent.

So, global wealth inequality is real. But so is global poverty reduction. Since 1970, the world poverty rate has declined by 80 percent.



The rise in wealth inequality isn't a measure of the poor getting poorer. It's a measure of the rich getting fantastically richer thanks to the cascading benefits of privilege and the tremendous growth in stock wealth in the last decade. (Even in the U.S., 75 percent of household wealth is held by the richest 5 percent.)

I'm confident that wealth inequality is a problem. But the chasm in investment wealth between rural Mozambique and Manhattan's financial district isn't necessarily the problem that the international development is or should be focused on. As Bill and Melinda Gates wrote in their [annual letter](#), "the world is better than it has ever been." Cities like Mexico City, Nairobi, and Shanghai have been transformed in the last generation from dens of poverty to thriving international markets. In the letter, the Gates' make a big prediction:

By 2035, there will be almost no poor countries left in the world. Almost all countries will be what we now call lower-middle income or richer. Countries will learn from their most productive neighbors and benefit from innovations like new vaccines, better seeds, and the digital revolution. Their labor forces, buoyed by expanded education, will attract new investments.

I like the note both for what it says and what it doesn't say. The Gates' reject the idea that poor states are doomed to permanent poverty and they defend the record of foreign aid. But they also don't pretend that wealth redistributed from the West, alone, will end the cycle of poverty in parts of sub-Saharan Africa and Asia. It's not

enough for poor countries to accept excess tax revenue from their "most productive neighbors." They'll have to "learn" from them, too.