

Is it better for the world to be wealthier or to be more equal?

There is a complex relationship between both wealth and equality. Wealth is often a polarising notion, with the distinct quality of widening global inequalities despite the idea that a wealthier world should lead to a generally wealthier population. In order to determine whether either is 'better' than the other, it is necessary to consider what 'better' could mean – most prominently, it gives connotations of a developed, modern world, with maximum benefits for the most people. Wealth and equality are both reflected in the UN's Sustainable Development Goals, demonstrating how important both are in the world today (UNDP, 2016).

At first glance, there are numerous benefits of a global increase in wealth. For example, if the wealth of a country increases, this should lead to an increased Gross National Income per capita. Theoretically, this would lead to an increase in living standards because people are more able to afford both necessities (as specified by SDG 1: End Poverty) (UNDP, 2016) and items that have become increasingly an indicator of a good standard of living, such as technology. The multiplier effect shows that the benefits are not just linear, as money becomes invested into the local or regional community.

However, an increase in global wealth is far more likely to enhance disparities than directly reduce poverty, predominantly due to the global distribution of wealth. According to the United Nations Development programme, 33% of the global wealth is shared by only 1% of the global population (UNDP, 2016). This stark inequality highlights the more realistic outcome: it is more likely that the wealthy get wealthier, whilst those who are less wealthy get comparatively poorer, as the measure of 'wealthy' has increased. As the wealth of a country increases, the prices of basic goods such as food often increases as well since the ability to buy necessities or not is a good indicator of absolute or relative poverty, this suggests that their poverty will be exacerbated by a significant and unequal increase in wealth.

This dynamic between the wealthiest and the poorest is replicated on a global scale, as demonstrated by the significant wealth gap between countries that leads to global inequality. Often, countries attempt to reduce the gap by supporting the development or economic growth of another country, such as through economic loans and financial aid. These loans often have a negative impact on development, as investment in infrastructure, education and vital services was neglected. One could argue that the attempt to 'distribute the wealth' actually reinforces the inequality between the countries; it creates a dependent relationship between the two, as the less wealthy country relies on loans, yet is then unable to develop sustainably for the future without the input of the foreign aid. This ultimately creates a power dynamic that makes the inequality worse.

In comparison, improving equality would lead to more sustainable, long-lasting social and political impacts, in addition to higher wealth and economic growth as a by-product. If the word 'better' is considered from a developmental point of view, then the paramount importance of improving equality is significant enough to make it the focus of multiple Sustainable Development Goals, namely Goals 5 (Gender Equality) and 10 (Reduce inequality within and among countries) (UNDP, 2016). The question of wealth or equality also doesn't have to be viewed as two isolated situations. For example, there is a significant correlation between improving aspects of inequality, such as gender inequality and the economic growth that occurs as a by-product. Globally, it is estimated in 'The Parity Report' that if women were to participate as equally in the economy as men, \$28 trillion dollars of global GDP would be added in 2025 (McKinsey Global Institute, 2015). The additional GDP could then be re-invested into female education and empowerment whilst reducing the vast wealth gap between the top 1% and the bottom 10% of the population. The significance of education for

the advancement of development has long been emphasised: notably, Kuznets highlighted the necessity of knowledge in furthering the economic process and economic growth (Kuznets, 1968, as cited by Brinkman & Brinkman, 2011).

Whilst it could be considered that an increase in wealth, rather than equality, would be more useful to the world, this disregards the consequences of increased wealth. To say that an increase in global wealth would benefit everyone is simplistic and reductionist – it relies on the idea that those who have the wealth invest it into development, infrastructure, education or poverty reduction. On the other hand, improving equality clearly has as far more positive impact on development, mainly due to the scale of its impact. Wealth often fails to have a ‘trickle-down’ effect, whereas equality for women and minorities often leads to higher economic equality anyway, thanks to the ‘bottom-up’ way in which equality through education can truly add to the economy.

Bibliography

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