IS IT BETTER FOR THE WORLD TO BE WEALTHIER OR TO BE MORE EQUAL?

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Neel Shah

Wealth is defined as a large amount of money or valuable possessions[1], measured globally through gross domestic product (GDP) per capita and resource value. Equality is defined as a situation in which money and possessions are evenly distributed throughout society[2]. In a global context, inequality refers to the uneven distribution of wealth both within countries (calculated by Gini coefficient) and between countries (demonstrated through GDP per capita). It is important to consider that wealth and equality are intrinsically linked.

Increased wealth can improve the quality of life of humanity as a whole. In the last century, globalisation, has accelerated the rate of global output. This has increased global GDP from $1.37 trillion in 1960 to $85.8 trillion in 2017[3]. As a result, global GDP per capita has increased by nearly 25 times across the same time period, from $452 to $11,298[4]. This has improved the quality of life for several people, particularly those in Asia where growth has been concentrated. For example, China's GDP per capita has grown by over 100 times from $89 in 1960 to $9,770 in 2018. This has occurred despite a widening in inequality when comparing GDP per capita to the global average in the 1990s *[Figure 1]*, demonstrating that increased inequality is only a short-term effect of the pursuit of wealth. Furthermore, a report by PwC suggests that India's GDP per capita, which currently stands at 1/9th the size of the US', will only be 1/3rd the size of the US' by 2050[5]. This demonstrates that increased wealth in newly emerging economies (NEEs) such as China and India will serve to reduce global inequality.

Although some NEEs have managed to raise living standards and reduce absolute poverty for their citizens, many African nations such as Somalia and the CAR face a fall in real wealth due to the fall in value of any existing assets or commodities. Organisations such as the UN have promoted the need to reduce absolute poverty through the implementation of the Millennium Development Goals (MDGs) in 2000, and the Sustainable Development Goals (SDGs) in 2015. The MDGs were partially successful, for example the number of people living in extreme poverty fell from 1.9 billion in 1990 to 836 million in 2015[6], however the goal to eradicate absolute poverty appeared overly ambitious. The SDGs appear to face a similar challenge, with the aim of eradicating absolute poverty by 2030 appearing unachievable unless the roots of poverty, notably conflict, corruption and weak governance, are resolved. Therefore, an increase in wealth can increase global inequality, since developed economies continue to grow, while so-called failed states suffer from a fall in real wealth.

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[1] Cambridge Dictionary – Wealth - https://dictionary.cambridge.org/dictionary/english/wealth
[2] Cambridge Dictionary – Inequality - https://dictionary.cambridge.org/dictionary/english/inequality
[3] World Bank – GDP – World - https://data.worldbank.org/indicator/NY.GDP.MKTP.CD
[4] World Bank – GDP per capita – World - https://data.worldbank.org/indicator/NY.GDP.PCAP.CD
[5] PwC – The World in 2050 – Summary - https://www.pwc.com/gx/en/world-2050/assets/pwc-world-in-2050-summary-report-feb-2017.pdf
[6] UN – Millennium Development Goals Report - https://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20(July%201).pdf

However, short-term inequality may be an inevitable obstacle faced in the pursuit of an improvement in global living standards. A majority of the global population have escaped extreme poverty *[Figure 2]*[7]. The graph demonstrates that in the long-term, extreme poverty eradication is an achievable goal provided the continued pressure of organisations such as the UN and the World Bank.

Overall, on a global scale, it is better to prioritise wealth over equality, since the pursuit of wealth will redistribute income in the long-run as individuals gain greater power (through consumption, political influence and knowledge). This rhetoric is echoed in developing and emerging economies.
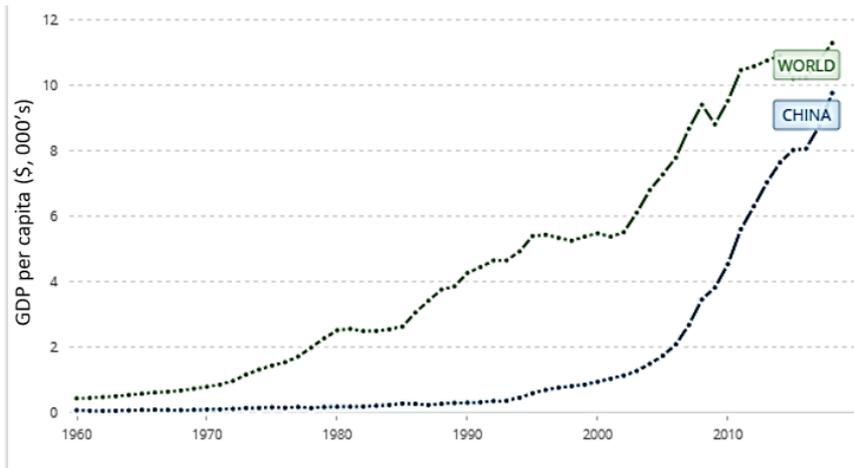
Yet, in developed nations many people are satisfied with their level of wealth, as suggested by the Easterlin Paradox. Individuals in developed countries are not concerned by the nominal value of their wealth, however focus on the relative wealth when compared to their peers. As a result, happiness, arguably the primary objective of developed nations, can be best pursued through reducing inequality rather than increasing wealth. Although some continental European countries like the Netherlands or France have reduced inequality within their nations since 1900, English-speaking countries have seen a fall and rise in inequality[8] *[Figure 3]*. This can be associated with the differing priorities of the governments of these nations. Continental European economies have had a greater focus of social security enabling a redistribution of wealth, reducing inequality. However, deindustrialisation has worsened inequality in English-speaking economies. Regions such as the Rust Belt (USA) and the North of England have faced unemployment, whilst free-market policies have lowered taxation for the wealthy. This has enabled the inequality gap to grow in English-speaking economies worsening quality of life for the residents in areas of deprivation and creating dissent. Therefore, in developed English-speaking nations, a greater focus should be placed on tackling inequality.
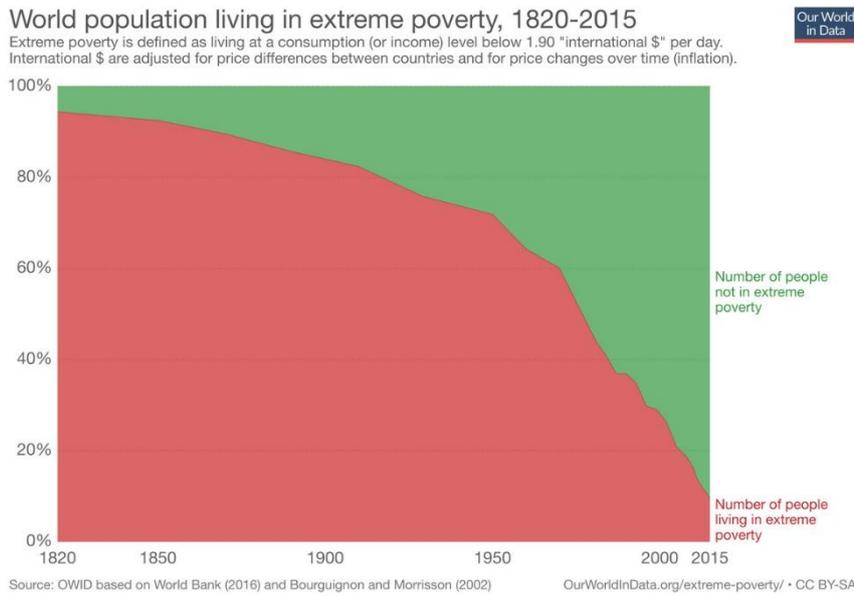
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[7] Vox – Bill Gates - https://www.vox.com/future-perfect/2019/2/12/18215534/bill-gates-global-poverty-chart
[8] Our World in Data – Inequality – Graph 3 - https://ourworldindata.org/income-inequality

Figure 1 – GDP per capita, 1960-2018 (World vs China)

World population living in extreme poverty, 1820-2015
Extreme poverty is defined as living at a consumption (or income) level below 1.90 "international $" per day.
International $ are adjusted for price differences between countries and for price changes over time (inflation).

Our World in Data

Number of people not in extreme poverty

Number of people living in extreme poverty

Source: OWID based on World Bank (2016) and Bourguignon and Morrisson (2002)   OurWorldInData.org/extreme-poverty/ • CC BY-SA

Figure 2 – Proportion of World Population in Extreme Poverty, 1820-2015

Share of Total Income going to the Top 1% since 1900

The evolution of inequality in English speaking countries followed a U-shape

The evolution of inequality in continental Europe and Japan followed an L-shape

Figure 3 – Share of Total Income to the top 1% since 1900 in Developed Nations