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

### Intro

The current economic model is failing the poorest, most marginalized people in the world: it has created a rapacious, sociopathic climate, where Friedman's ideals of cruel rationality prevail and wealth is valued above all else. This system has engendered endless suffering and inequality and has, is, and will be used as a vehicle to propel policies that perpetuate inequality and cause catastrophic social and environmental damage.

### **Is wealth better?**

Wealth indeed does facilitate development. Between 1990 and 2015, the proportion of the world's population living in poverty (below \$1.90 a day in Purchasing Power Parity) decreased from 36% to 10%.<sup>1-2</sup>. Unfortunately, though, this is not the case everywhere in the world. Sub-Saharan Africa is the pitfall of our economic system and one of the greatest obstacles to achieving the global sustainable development goals, especially those aiming to eradicate poverty, achieve zero hunger, quality education, clean water and sanitation.<sup>3</sup>

According to a World Bank report, the number of people living in poverty in Africa actually increased from 278 million (1990) to 413 million (2015).<sup>4</sup> So, wealth does not necessarily generate economic growth. Although \$1 trillion was pumped into Africa in the form of aid, "Between 1970 and 1998, when aid flows to Africa were at their peak, poverty in Africa rose from 11 percent to a staggering 66 per cent".<sup>5</sup>

Although attempts to make Africa wealthier so far have not worked, some argue that wealth is still the answer, not equality. According to Dambisa Moyo, Africa's solution is certainly "market-based", since this method "has succeeded in getting the greatest numbers of people out of poverty, in the fastest time"<sup>6</sup>. Moyo, an experienced economist, in 'Dead Aid', argues that the world's anomaly in terms of its shocking lack of development, sub-Saharan Africa, needs to reject its "addiction" to aid, and instead turn to free markets.<sup>7</sup>

Another argument for wealth is that aiming for a more equal society in LICs is detrimental to economic growth. In fact, some studies show that for poor countries, income inequality is in fact beneficial for economic growth.<sup>8</sup>

### **Is equality better?**

However, in advanced, developed economies, reports show that income inequality inhibits economic growth, so equality is necessary.<sup>9</sup> The "Easterlin Paradox", which describes how more wealth does not lead to more happiness,<sup>10</sup> reveals how, once a certain level of wealth is achieved, increased wealth does not improve people's well-being anymore.

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<sup>1</sup> (Patel, 2018)

<sup>2</sup> (World Bank Group, 2018)

<sup>3</sup> (United Nations, 2019)

<sup>4</sup> (Patel, 2018)

<sup>5</sup> (Moyo, 2009)

<sup>6</sup> (Moyo, 2009)

<sup>7</sup> (Moyo, 2009)

<sup>8</sup> (Brueckner & Lederman, 2015)

<sup>9</sup> (Brueckner & Lederman, 2015)

<sup>10</sup> (Frontiers in psychology, 2017)

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Equality is better for the environment too, reports show. Oxfam's 2015 report discovered that not only does higher economic inequality within countries produce more municipal waste, but also leads to higher excessive consumption.<sup>11</sup> This is also a strong argument as to why we must change the economic model: it is simply killing our planet.

Furthermore, by achieving gender equality in the economy, wealth would come as a benefit. If there was equal participation in economics between women and men, it would add as much as \$28 trillion to the world's economy.<sup>12</sup> In this case, once development is achieved, we must find ways of re-organising socio-economics to increase people's happiness another way.

### **Possible solutions**

Neo-liberalism has transformed the economic profession to "work only for big corporations and billionaires". Although global inequality has decreased, the rates of inequality within countries has increased.<sup>13</sup> On the other hand, this increase in income inequality is not the case everywhere. For example, in The Netherlands, the income share of the wealthiest Dutch has not changed since 1980. Could we try to mirror this model around the world, once development has taken place? One way we could try to achieve this is through politics more than economics. Through taxation, politics and trade unions, we can achieve more equal societies in HICs.<sup>14</sup>

Perhaps even more radical solution is the circular economy. The circular economy aims to "redefine growth, focusing on positive society-wide benefits."<sup>15</sup> The circular economy would rebuild "financial, manufactured, human, social or natural" capital<sup>16-16</sup>, and thus is a sustainable economic system. This could also be used in conjunction with the methods prescribed before to achieve multi-dimensional benefits.

### **Conclusion**

We must target the very root of our problems; we have to change the economic model if we truly want to achieve sustainable development. However, equality must be considered the recommended prescription for society's problems, since this equality will not only increase sustainability, but also engender more wealth in itself. However, in reality, in the poorest regions, such as Africa, equality may not be the immediate, universal solution to ending poverty.

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<sup>11</sup> (Dorling, 2017)

<sup>12</sup> (Iversen, 2019)

<sup>13</sup> (Hanauer, 2019)

<sup>14</sup> (The Conversation, 2018)

<sup>15</sup> (Ellen Macarthur Foundation, 2019)

<sup>16</sup> (Europe Economics Blog, 2018)

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