Global Inequality: The Debate about Poverty

By Dr. Binoy Kampmark
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Theme: Global Economy, Poverty & Social Inequality

Oxfam's report, Wealth: Having It All and Wanting More, has done its fair share of stirring the pot of debate on global inequality.[1] Its timing is not an accident – coming out as that grand talk fest of economic mis-managers, otherwise known as the World Economic Forum, was doing its rounds. Even Oxfam International's Executive Director Winnie Byanyima was invited to co-chair.

The report's slant was significant, focusing on the share of global wealth of the top 1 percent of the world's population as opposed to the bottom 99 percent. By 2016, "the top 1 percent will have more than 50 percent of global wealth." The Oxfam report does make use of Credit Suisse's 'Global Wealth Report', published in October, which found that 48 percent of the world $263 trillion in net household wealth (i.e., after subtracting debts) is in the hands of the richest 1 percent of its citizens."

It did not take long for the charges to come out against Oxfam's research. Felix Salmon decided to shovel a good deal on it, calling it "just as crap as the last version" in using data filled with speculation and error.[2] Oxfam, charges Salmon, does "no real empirical work of its own," resorting to the annual Global Wealth Databook compiled by Credit Suisse. The current report is filled with "wild extrapolations". The methodological chink here, argues Salmon, is the use of "net worth".

Poverty, for that reason, is misrepresented, hiding behind a set of wealth distorting variables. It means, for instance, that someone like former Société Générale's star rogue trader Jérôme Kerviel "has a negative net worth of something in the region of $6 billion." Indebtedness is the key to valuing negative net worth – and not all debt is bad relative to value.

What are Salmon's suggestions? Ignore any statistics that suggest a top number of people owing the same amount of wealth as the bottom number. Don't aggregate wealth "when you're talking about poor people" – after all, some have savings; others are heavily indebted; some have no assets to speak of at all. "Wealth, and net worth, are useful metrics when you're talking about the rich. But they tend to conceal more than they reveal when you're talking about the poor." The impoverished remain inscrutable to the statistician.

Ezra Klein takes a similar tack, though he decides to pick on another debt-ridden source: the Clintons, who alleged on leaving the White House that they were "dead broke". Klein also gets personal, suggesting that, "the combined wealth of my two nephews is already more than the bottom 30 percent of the worlds combines. And they don't have jobs, or inheritances. They just have a piggy bank and no debt" (Vox, Jan 22).[3] Another punch, then, to the inscrutable poor.

The Economist, likewise, waded into the argument with a few of its own qualifications.

"Oxfam's projection… should be treated with caution. The charity uses a straight-line projection of the trend in wealth shares in 2010-14 to forecast that just 50m adults will hold the majority of the world's household wealth by the next year. That is both simplistic and arbitrary. If Oxfam had based its forecast on the trend in 2000-14, then the crossover point would have been 2035 (*The Economist*, Jan 24).

Such publications at *The Economist* naturally resort to the usual problematic. You can't really measure economic growth with any degree of accuracy (until, of course, it benefits your case). Poverty remains in the eye of the beholder, and since those beholding it do so in a segregated context, the values vary.

Even if exclusions are made to the Oxfam study, with the figures adjusted to the various parties' satisfaction, including removing the bottom 10 percent of the global population from the study, there is only one conclusion worth drawing: the trend towards growing inequality and disparity is undeniable.[4] Added to is this is the link between wealth and power – money talks, and those who do not have it, are voiceless.

In the wording of the *Financial Times*, "The precise figure for the share of wealth of the global elite, and judgment calls between different measurement conventions, may not be too important. The figure is a good piece of rhetoric, designed to draw attention to something that many of those at Davos already agree on but can't decide what to do about; access to wealth across the world is intolerably unequal."

The theme of intolerable inequality is highlighted by Senior Vice President and Chief Economist at the World Bank, Kaushik Basu. Poverty persists, because poverty is widening, and being kept out of view from wealthy states. "The current level of global inequality is unconscionable" (Project Syndicate, Jan 23). That it exists on such a scale is not merely a "collective failure" but "an assault on democracy."

The Davos love-in never solves much. The economic leaders may well have acknowledged a problem, though they refuse to acknowledge that solving it will require means of redistribution and creation that they will find unpalatable – to their pockets. Close the gaps, suggests Fareed Zakaria (Jan 25) on CNN, a network not exactly high up in the equality stakes, or someone else will come along with a more radical proposal.

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Notes

[1] http://www.oxfam.org/en/research/wealth-having-it-all-and-wanting-more

[2] http://fusion.net/story/39185/oxfams-misleading-wealth-statistics/

[3] http://www.vox.com/2015/1/22/7871947/oxfam-wealth-statistic

[4] http://blogs.oxfam.org/en/blogs/15-01-27-wealth-debt-inequality-criticism-response?-utm_source=oxf.am&utm_medium=ZSfq&utm_content=redirect

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