



the market  
enterprise

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## DISCUSSION & REVIEW QUESTIONS:

- After describing the riches of Louis the fourteenth, Mr. Hannan points out that, “A receptionist today can stop off at a store on her way home and have not only a wider choice than that king, but a fresher and healthier one. We all live better than Louis the fourteenth. What has caused these miracles? Not any UN development program. Not any government aid scheme. What is causing them is the market.” What specific factors associated with a free market economy do you think contribute to a relatively poor person today being able to live so much better than a king used to live? Why do you think that Mr. Hannan feels compelled to note that today’s improved economic conditions are not attributable to government or U.N. programs?
- Mr. Hannan goes on to note that, “The most rapid falls in poverty are happening in countries that are joining the global trading system. Compare growth rates in free-trading Colombia and protectionist Venezuela; or in free-trading Vietnam and protectionist Laos; or in free-trading Bangladesh and protectionist Pakistan.” What do you think the relationship is between rapid poverty elimination and countries joining the global trading system- i.e. how does joining the global trading system help those countries get out of poverty so quickly? Considering how successful those countries are rapidly rising out of poverty, a proven model, why do you think that the other countries choose to remain ‘protectionist’ and thus remain poor? Explain.
- Later, when addressing the issue of defining ‘greed,’ Mr. Hannan explains that, “If by greed you mean a desire for material wealth, then that’s part of the human condition. It’s in our DNA or, if you prefer, it’s in our fallen nature. Under any system – socialism, communism, fascism, absolute monarchy, theocracy – people want more stuff.” Do you agree with Mr. Hannan’s assertion that greed is part of being human? Why or why not? Do you think that any degree of greed is necessarily a bad thing? Explain. Considering that you too likely ‘want stuff,’ would you consider yourself greedy to any degree? Why or why not?
- Towards the conclusion of the video, Mr. Hannan states that, “Capitalism has achieved things which earlier ages ascribed to gods and magicians. It is abolishing hunger and disease and want. It has led to an unprecedented enrichment that is the central fact of your life... “ Why do you think that people in the past could only attribute the current outcomes of capitalism to ‘gods and magicians?’ What do you think Mr. Hannan means when he states that capitalism has ‘led to an unprecedented enrichment that is the central fact of your life?’ Explain.
- Earlier in the video Mr. Hannan asks, “So why don’t we see it? Why do well intentioned, idealistic young people oppose free trade and market liberalization, thinking that they’re standing up for the poorest people on the planet – when in fact they’re doing the opposite?” How would you answer his questions? Do you consider yourself to be one of the persons being described here? Why or why not?

## EXTEND THE LEARNING:

### CASE STUDY: World Bank Report

INSTRUCTIONS: Read the article “Not Only Are The Rich Getting Richer, So Are The Poor,” then answer the questions that follow.

- What historic bit of news did a report released by the World Bank reveal? Who is Jim Yong Kim, and what did he say regarding the state of poverty in the world? What was the consequence of pulling the Chinese out of \$2 a-day poverty over the last 15 years? Why did Mr. Kim call the news ‘...the best story in the world today?’
- What factors do you think are holding back the countries who are not doing better economically? What do you think are the primary differences between the countries who are doing better economically and the ones who are not? Explain.
- Does the fact that the article supports the main points in the video give more weight to the arguments presented in the video? Why or why not? What sources does the author of the article use to draw his conclusion?



# QUIZ

## AS THE RICH GET RICHER, THE POOR GET RICHER

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1. Global inequality is tumbling.
  - a. True
  - b. False
  
2. In 1971, an American worker had to earn \_\_\_\_\_ salary to be able to afford a TV set.
  - a. a day's
  - b. a week's
  - c. a month's
  - d. a year's
  
3. What happens to prices when barriers to trade are removed?
  - a. They skyrocket.
  - b. They fall.
  - c. They raise slightly.
  - d. They remain unchanged.
  
4. In which of the following systems do people not want more stuff?
  - a. capitalism
  - b. socialism
  - c. communism
  - d. None of the above.
  
5. Under a free market system, you get on by \_\_\_\_\_.
  - a. sucking up to those in power
  - b. offering consumers something they want
  - c. keeping to yourself
  - d. redistributing wealth



# QUIZ - ANSWER KEY

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<https://www.forbes.com/sites/kenrapoza/2015/10/04/not-only-are-the-rich-getting-richer-so-are-the-poor/#450489b177d3>

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# Not Only Are The Rich Getting Richer, So Are The Poor

Kenneth Rapoza , Contributor Opinions expressed by Forbes Contributors are their own.



It's not easy, but we're getting there. Less people are living on below \$1.90 a day, according to the World Bank. But low income persists in the developing world as workers like this man at a Royal Enfield Motors in Chennai, India is now dealing with robotic assembly lines that will make it harder for the poor to become middle class. (Photo by Dhiraj Singh/Bloomberg)

The rich are getting richer and so are the poor. Sort of.

When measured as a percentage of the world's population living on less than \$2 a day, the numbers of people in extreme poverty is now less than 10% for the first time in history, according to World Bank report released on Sunday. The Bank said in its statement on the website that the numbers provided evidence that a quarter-century-long sustained reduction in poverty is moving the world closer to the goal of ending poverty by 2030.

The Bank uses an updated international poverty line of \$1.90 a day, which incorporates new information on differences in the cost of living across countries. The World Bank projects that global poverty will have

fallen from 902 million people or 12.8% of the global population in 2012 to 702 million people, or 9.6% of the global population, this year.

Actual poverty data from low income countries come with a considerable lag but the organization, which released the information on the eve of its Annual Meetings in Lima, Peru, based its current projections on the latest available data, the bank said in a press release today.

Jim Yong Kim, World Bank Group President, said that the continued major reductions in poverty were due to strong growth rates in developing countries in recent years, investments in people's education, health, and social safety nets that helped keep people from falling back into poverty. He cautioned that weaker growth and political strife in Africa and the Middle East could undercut their goal to reduce extreme poverty to zero by 2030.

"This is the best story in the world today -- these projections show us that we are the first generation in human history that can end extreme poverty," Kim said. "This new forecast of poverty falling into the single digits should give us new momentum and help us focus even more clearly on the most effective strategies to end extreme poverty. It will be extraordinarily hard, especially in a period of slower global growth, volatile financial markets, conflicts, high youth unemployment, and the growing impact of climate change. But it remains within our grasp, as long as our high aspirations are matched by country-led plans that help the still millions of people living in extreme poverty."

East and South Asia, and Sub-Saharan Africa, have accounted for some 95% of global poverty. The composition of poverty across these three regions has shifted. In 1990, East Asia accounted for half of the global poor, whereas around 15% lived in Sub-Saharan Africa. The numbers are easily skewed due to the fact that China takes up a bulk of that body count. By 2015, Sub-Saharan Africa accounts for half of the global poor thanks to China's massive growth spurt over the last 15 years. Poverty is declining in all regions but it is becoming deeper and more entrenched in countries that are either conflict ridden or dependent on single commodity exports. Moreover, in countries like India and China, modernization of factory assembly lines promises to pull some low-skilled workers out of jobs that can now be done by robots. This won't increase the extreme poverty numbers, but it will put a lid on the number of poor who will ultimately be able to climb the socio-economic ladder to middle class income.

The World Bank said that the growing concentration of global poverty in Sub-Saharan Africa was of "great concern." Some African countries have seen significant successes in reducing poverty, led by South Africa over the past decade and a half. But the region as a whole lags the rest of the world in its poverty fight, due in part to religious strife, weak governments and tribal cultures not adopting to mainstream culture. Sub-Saharan poverty did fall from an estimated 56% in 1990 to around 35% this.

Bringing the masses out of poverty is good for business.

In fact, pulling the bulk of Chinese out of \$2 a day poverty over the last 15 years led to the commodity super-cycle that benefited numerous businesses, and national economies from southeast Asia to Brazil. It also made numerous fund managers, like commodities guru Jim Rogers, extremely rich and incredibly famous in global investor circles.

Nevertheless, the extreme poor getting richer is as likely to mean that they are still poor, only not living on \$2 a day anymore. The report does not say what socio-economic class these people jumped into. It is likely that most of them climbed one rung on the ladder and most are not yet middle income earners, at least not by Western standards. In Brazil, for instance, middle income earners bring home about \$900 month.

For the one percenters meanwhile, Oxfam predicts a widening wealth gap in the years ahead. The global NGO says the world's wealthiest 1% will account for over 50% of global wealth by 2016.