



AS THE RICH GET RICHER, THE POOR GET RICHER

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“The rich are getting richer and the poor are getting poorer.”

“The top one per cent of people on the planet have half the wealth.”

“Western corporations are plundering developing countries.”

“Capitalism is on its last legs.”

Really?

The truth is that global inequality is tumbling. Yes, the rich are getting richer—but the poor are getting richer faster. And what’s driving that process? The market.

Look at the most basic measures: Literacy. Longevity. Infant mortality. Calorie intake. Height. More and more people are being lifted out of poverty. I think of the changes just in my lifetime.

When I was born, in 1971, an American worker had to earn a month’s salary to be able to afford a TV set. Now, it’s two days.

In 1971, fewer than half of girls worldwide completed at least primary education. Now, it’s more than 90 percent.

In 1971, a stationary car emitted more pollution than a car moving at full speed today.

Go a little further back. In the seventeenth century, the most powerful man in the world was Louis XIV of France. Every night, he’d have 40 dishes prepared for his dinner, and he’d pick the one he felt like. Think about it: 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 one and a healthier one. We all live better than Louis XIV.

What has caused that miracle? Not any UN development program. Not any government aid scheme. What caused it was the market.

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.

It’s the same story every time.

China after 1979, India after 1991. You remove barriers to trade. Prices fall. Your people no longer have to work every hour just to afford food and basic commodities. They have time to invent and make and buy and sell other things. The whole economy is stimulated. Poverty falls.

OK, you might say, so maybe capitalism works; maybe people are better off. But isn't there a cost? Doesn't it make us more materialistic? Doesn't it make us greedier?

If by "greed" you mean a desire for material wealth, 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.

The unique quality of capitalism is that it structures the incentives so that the way to succeed—the way to be "greedy," if you insist on using that vocabulary—is to offer a service to the people around you.

Under every other system, you get on by sucking up to those in power: commissars, or kings, or dictators. But under a free market system, you get on by offering consumers something they want.

As the economist Joseph Schumpeter put it, the achievement of capitalism is not to provide more silk stockings for princesses, but to bring them within the reach of the shop girl.

So, why can'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?

A big part of the answer is aesthetic. As the Victorian novelist, Anthony Trollope, wrote, "Poverty, to be scenic, should be rural."

I grew up in Lima, Peru which, in those days, was surrounded by shantytowns known as las barriadas.

Western visitors would come, and they'd visit Machu Picchu, and then they'd ask in bewilderment why people would migrate from the Andes to the slums.

Why did they swap the clean air and the mountain scenery for open sewers and traffic fumes?

It's a very first world question. No Peruvian ever needed to ask why you'd leave a place with no electricity, no school, no clinic, and no jobs.

Those shantytowns, those barriadas, for most of their residents, are transitional. They're busy places, humming with enterprise, and the people in them sense that they're on their way up. If we want to help those people, the best thing we can do is let them sell us their stuff.

Capitalism has achieved things which earlier ages ascribed to gods and magicians. It's abolishing hunger and disease and want.

It's led to an unprecedented enrichment that is the central fact of your life. The fact that you're watching this video is enough to tell me that.

Now let it work its magic in the rest of the world.

I'm Daniel Hannan for Prager University.