Published on *Adam Smith Institute* (http://www.adamsmith.org)

Common Error No. 88 [1]

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88. "The gap between rich and poor countries is growing larger, meaning that global poverty is growing worse."

This is usually recited parrot-fashion as a mantra: "The rich are getting richer, the poor are getting poorer, and the gap is widening." In fact the rich are indeed growing richer, and in most places outside Africa, the poor are growing richer too. Historically the gap has never been narrower, though civil wars have held back progress in Africa.

Prof Paul Ormerod has measured the Gini coefficients which reveal income disparities, and shown that since World War II the world has become more equal, not less. Common observation shows the same. After the Second World War there was a handful of rich countries, mainly in Europe, the US, and the former dominions. The rest of the world was dirt poor, with most of their populations struggling to survive on subsistence farming.

Since then Japan joined the rich club, followed by the Asian quartet of South Korea, Singapore, Taiwan and Hong Kong. Then came the little tigers, including countries such as Thailand and Malaysia. Then economic growth came to some of the countries of South and Central America. Most recently and most spectacularly, China and India have surged ahead.

Last year saw more people lifted out of poverty than in any previous year in human history. Fundamentally we now know how to do it, by enterprise and trade. Instead of trying to implement socialist-style 5-year plans, with governments directing aid-assisted industrial growth, most countries now try to get the conditions right for their businesses to get ahead on their own.

Poor countries can turn their low wages to economic advantage by producing lower cost goods to sell to the rest of the world. The money thus gained can be re-invested in expansion and development, and the wages gradually rise. This roughly mirrors the way in which the rich countries did it.

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