# Be careful with that viral statistic about the top 1% owning half the world's wealth

By Ezra Klein | @ezraklein | Jan 22, 2015, 2:50pm EST

Rich, but not necessarily that rich. | Tim Graham/Getty Images

In recent days, there's been a startling statistic going around. The number comes from **Oxfam**, and warns that the combined wealth of the richest one percent will pass that of the other 99 percent next year, at least if current trends hold. The statistic has been reported in **the Guardian**, **the New York Times**, and **FiveThirtyEight**, among others. Even Hillary Clinton is using **a version** of it. But it doesn't mean quite what it looks like it means.

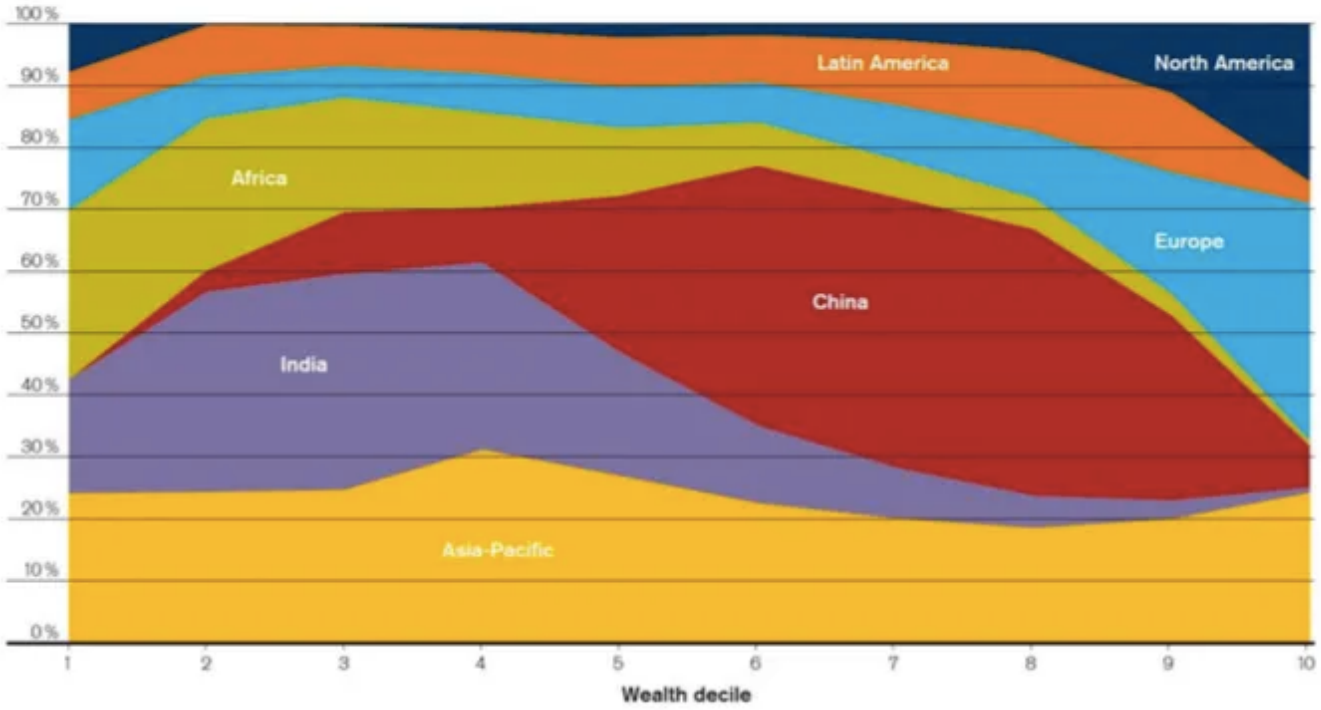
To see the problem, here's another version of the same number: the combined wealth of my two nephews is already more than the bottom 30 percent of the world combined. And they don't have jobs, or inheritances. They just have a piggy bank and no debt.

Oxfam presents the statistic, which is derived from data published in Credit Suisse's **Global Wealth Databook** (pdf), as a measure of wealth. But it's technically a measure of net worth: assets minus debts. As such, what it's picking up isn't just massive inequality in wealth, but also massive inequality in the ability to access credit.

So for the purposes of Oxfam's calculation, a farmer in China's rural Sichuan province with no debt but also very little money is wealthier than an American who just graduated from medical school with substantial debt but also a hefty, six-figure income. By any sensible standard, the medical student is richer, but because her student debt still outweighs her financial assets, the net worth measure counts her as poorer than the Chinese peasant.

You can see the odd effect of this in a graph Credit Suisse publishes:

**Figure 3-2: Regional composition of global wealth distribution 2014**




The chart shows China has basically no one in the bottom 10 percent of the global

wealth distribution. At the same time, if you dig into the country-by-country data (page 107 in the Databook), it shows that America has more than 7 percent of the world's poorest inhabitants — second only to India. That is, to put it lightly, nuts.

As Felix Salmon **writes**, "the poorest people in the world, using the Credit Suisse methodology, aren't in India or Pakistan or Bangladesh: they're people like **Jérôme Kerviel**, who has a negative net worth of something in the region of $6 billion."

Or here's a more political example: this measure would have counted Bill and Hillary Clinton, right after they left the White House, as among the poorest people in the world. They were, after all, millions of dollars in debt. But as Matt Yglesias wrote, **you have to be pretty damn rich to get that poor**.

And so too with America as a whole: we have some of the world's poorest people because we're rich, and we have robust enough credit markets, for ordinary Americans to routinely go into debt. But that doesn't make us among the world's poorest countries. It makes us among the world's richest.

"It's people in the richer countries who can take out lots of debt," says Anthony Shorrocks, who helped create the Credit Suisse report. "They take out big loans, they go to business school or law school, for example, and so if someone comes and asks them their net worth, you can get big negative numbers. Most of the negative net wealth in the world is in richer countries." Altogether, the bottom 30 percent in net worth have a negative net worth of roughly half a trillion dollars.

But that's not because all those people are poor. It's because, in many cases, they're rich enough to take out debt.

## What Oxfam's calculation does tell us

Nick Galasso, an Oxfam researcher, admits the report's shortcomings. "It's a totally imperfect measure," he says. "But I think it still captures the enormous disparity that exists in the world."

Galasso's work focuses on political inequality, and this is where Oxfam's measure actually does have something interesting to say. "Wealth is a power resource," Galasso continues. "It is a resource people can deploy to get things they want."

The statistic Oxfam is using here has deep flaws. But the addition of indebtedness actually does add some value: it points towards who has the ability to use wealth as a discretionary power resource. The top one percent controls an eye-popping amount of global wealth, but more to the point, they're the ones who have much more wealth than they have debt — and so they're the ones who can deploy their excess wealth towards discretionary ends like electing political candidates and lobbying legislatures.

Let's go back to the American doctor and the Chinese farmer. The American doctor might be richer than the farmer in the Sichuan province. But she's not so rich that she can blow tons of money donating to political candidates. For the most part, when you have more debts than you have assets, you have to be pretty careful with how you spend.

Conversely, if you've got a net worth of a few billion dollars, you can easily afford to blow a bit of it trying to influence the political system. And people do. Open Secrets **found** that in 2010, 0.26 percent of the US population — about 800,000 people overall — made 68 percent of the contributions to Congress. Or, to put it more starkly, **Sheldon Adelson** is worth more than $30 billion. For him to spend $100 million on an election is like a family worth $50,000 spending roughly $150.

In terms of material wealth, the American doctor is probably closer to living like Sheldon Adelson than to living like a rural farmer in the Sichuan province. But in terms of their ability to spend huge amounts of money to influence politicians, the American doctor is probably more like the rural farmer than like Sheldon Adelson.

And even if you ignore net worth entirely and just count assets, the top one percent still controls a huge share of global wealth. "What is unquestionably true is that wealth inequality is very high," says Shorrocks. "Any reasonable assessment would show the top one percent with a minimum of 40 percent of the world's wealth."

One moderating fact here that gets missed, though, is that the wealth disparities globally are typically much greater than the wealth disparities nationally. Even using the net worth calculation, Credit Suisse's data shows the top one percent controls 38 percent of the wealth in America, 23 percent in the UK, and 24 percent in Canada. Those numbers still speak to huge inequality in wealth, but it's quite a bit lower than the global inequality in wealth, and probably more relevant for thinking about wealth as a political resource. (In Russia, by the way, the top one percent holds 66 percent of the wealth.)

So be careful with that Oxfam statistic. It's not telling you what you think it is. But it's still telling you something.

**Update:** My explanation of the the wealth distribution chart was confusing. So, to clarify, that chart mixes countries and continents, but I'm further breaking it down by country, which you can find on page 107 of the Databook. North America doesn't have the second-highest number of people in the bottom decile, but among countries, the US does.