Is Your Child Wealthier Than Half the World's Population?

CNN: "[The top 26 billionaires own $1.4 trillion — as much as 3.8 billion other people](#)"

Time magazine: "[The World's Top 26 Billionaires Now Own as Much as the Poorest 3.8 Billion, Says Oxfam](#)"

The Guardian: "[World's 26 richest people own as much as poorest 50%, says Oxfam](#)"

You've probably seen these headlines—or ones like them—in articles about economic inequality. You might have even assumed the claim must be somewhat revealing about global inequality.

But it isn't. In reality, such claims are misleading and completely meaningless.

The development organization Oxfam trots out some variation of this statistic almost every year, and every year gullible journalists fall for it. What many people—including journalists and your friends on social media—don't realize is that by Oxfam's metric they are also in [the top 10 percent of the wealthiest people on the globe](#). All it takes is cash and/or assets worth $68,800 to get into the top 10 percent and $760,000 to be in the 1 percent.

The problem with using this type of metric is that the comparisons are based on *net worth* (assets minus liabilities). Everyone who owns even a modest home and car and is not in debt would be in the top 10 percent. But it doesn't really even take that much money to be in the top 50 percent.

In fact, if you aggregate all the people who have a negative net worth into one category and call them the "bottom half"

then you come up with some peculiar conclusions. As [Felix Salmon says](), "My niece, who just got her first 50 cents in pocket money, has more money than the poorest 2 billion people in the world combined."

But that "bottom half" (over 2 billion people) would include people like Eike Batista. Although he was the [world's eighth-richest person in March 2012](), he now has a negative net worth of hundreds of millions of dollars. That puts him in the same category as people who live on less than a dollar a day. Is Salmon's niece (or your own child) "richer" than Batista? Not in way we usually think of wealth: as the ability (or potential ability) to consume goods and services.

Salmon explains why such statistics are useless and misleading:

> *The first lesson of this story is that it's very easy, and rather misleading, to construct any statistic along the lines of "the top X people have the same amount of wealth as the bottom Y people".*
>
> *The second lesson of this story is broader: that when you're talking about poor people, aggregating wealth is a silly and ultimately pointless exercise. Some poor people have modest savings; some poor people are deeply in debt; some poor people have nothing at all. (Also, some rich people are deeply in debt, which helps to throw off the statistics.) By lumping them all together and aggregating all those positive and negative ledger balances, you arrive at a number which is inevitably going to be low, but which is also largely meaningless. The Chinese tend to have large personal savings as a percentage of household income, but that doesn't make them richer than Americans who have negative household savings — not in the way that we commonly understand the terms "rich" and "poor". 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.

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