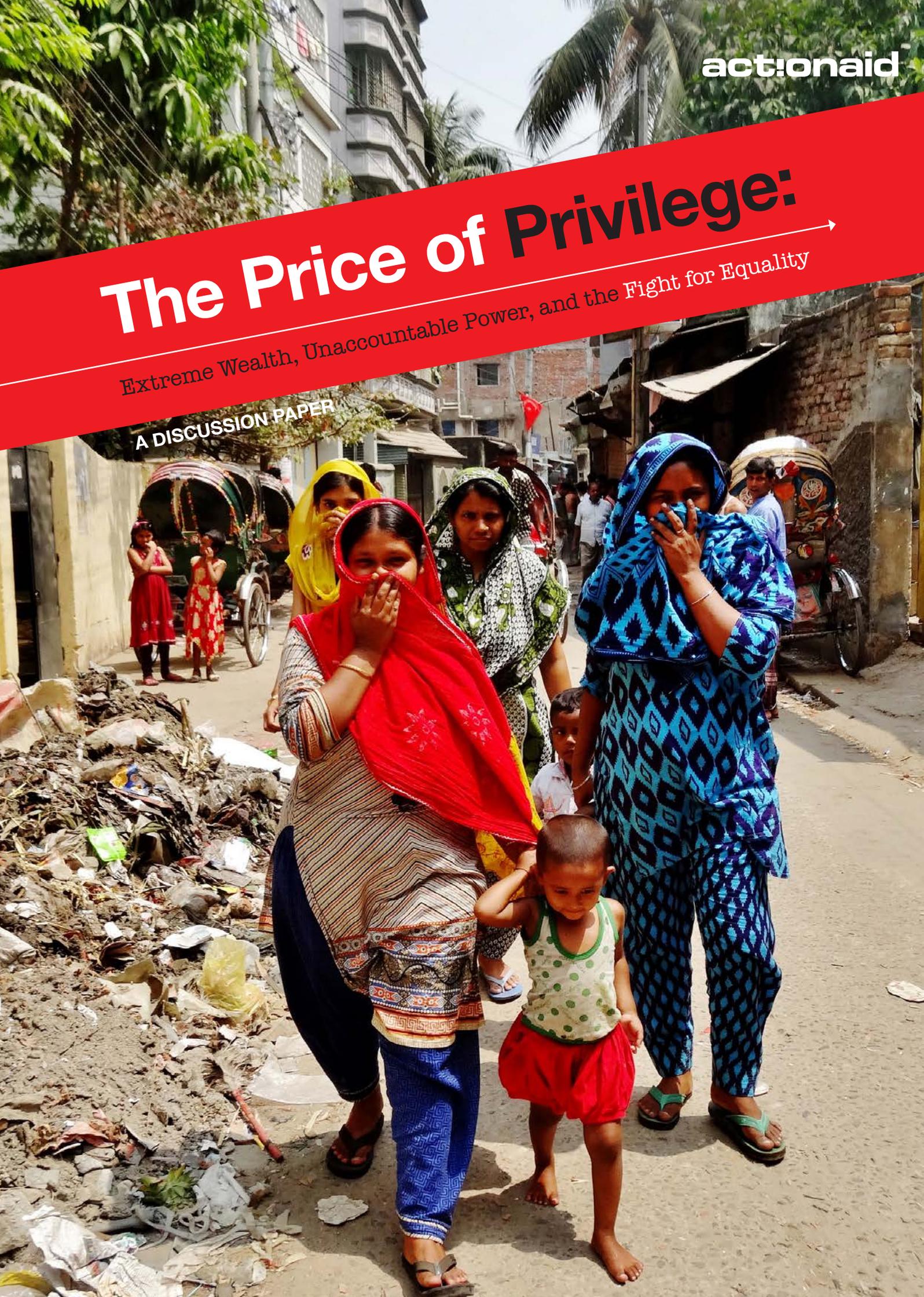


The Price of Privilege:

Extreme Wealth, Unaccountable Power, and the Fight for Equality

A DISCUSSION PAPER

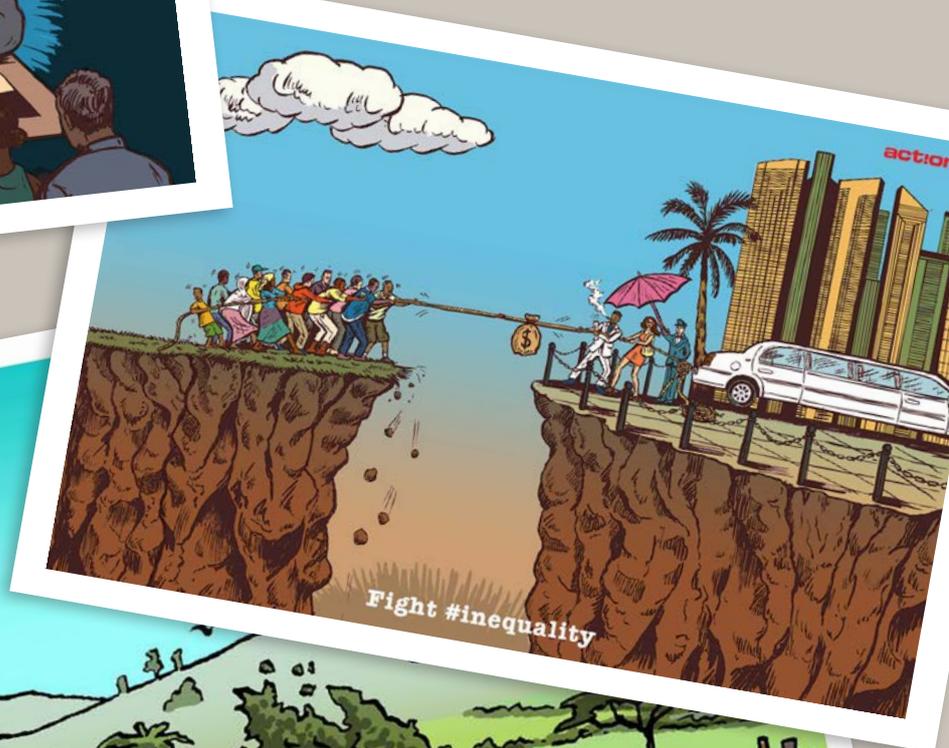




COVER PHOTO:

Women and children walk past a trash pile outside Gandaria Government Koloni Primary School near Dhaka slum, Bangladesh.

PHOTO: ACTIONAID



'The Price of Privilege: Extreme Wealth, Unaccountable Power, and the Fight for Equality', ActionAid 2016

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Contents

Acknowledgements	2
Executive summary	4
Introduction	5
Chapter 1: Inequality is a struggle	6
What is inequality?	7
The bare facts	9
How global policies hit ordinary people	11
The time for talking is over	13
Chapter 2: Convenient falsehoods	15
Lie #1: <i>Inequality is necessary to generate economic growth</i>	18
Lie #2: <i>If people can't get as rich as they like, economies will grind to a halt as wealth creators 'go elsewhere'</i>	19
Lie #3: <i>The profit-driven private sector works better than the public sector</i>	20
Lie #4: <i>Efficiency is an economic imperative</i>	21
Lie #5: <i>The market price reflects the value of work</i>	22
Lie #6: <i>Women will achieve economic empowerment through education, training, and access to credit</i>	23
Lie #7: <i>Climate change has nothing to do with economics</i>	24
Chapter 3: Power comes from below	26
People power around the world	27
Chapter 4 — Policies that work for all: a generation shift	30
How much redistribution do we need?	33
Learning from the history of developed countries	34
Ingredients of economic policies that ultimately serve all	36
Chapter 5: Another world is possible – and it's on its way	40
Many struggles, many wins	41
Inequality-busting policies are taking root around the world	41
Reducing inequality on a large scale has strong precedents	45
History shows us the way	46

Executive summary

Inequalities of all kinds are on the rise. This is happening despite the fact that the moral, political and economic justifications for such inequalities — whether between women and men, between Dalit and Brahmin, or between black and white — are increasingly being challenged.

Many kinds of inequality are global. Inequalities are interlinked, and one particular kind — inequality in the distribution of wealth — fuels many others. The richest 64 individuals control as much wealth as the poorest 3.5 billion people combined.¹

This horrifying reality leads to a number of problems. Most significantly, an inordinate amount of power is in the hands of the very richest. Whether in multi-party systems or in authoritarian dictatorships, they find a way to make countries' social, economic, and political systems work in their interests.

Even authorities such as the International Monetary Fund (IMF), which in the past argued that that economic inequality was an inevitable and justified outcome of increased growth, now agree that the threat it poses is far greater than any of the supposed benefits it was portrayed as having 30 years ago.

The economic policies that have led to a sharp rise in global inequality since about 1980 have been thoroughly discredited. There is now ample evidence that policies such as trade and fiscal liberalization, privatization, budget austerity, deregulation and undermining trade unions lead not just to greater inequality but also to lower rates of growth.

We know what it takes to reduce inequality within countries, because history shows that a combination

of strong social protections (especially those that focus on women's empowerment), industrial policy, and progressive taxation lead to economically more equal societies. This often leads to ordinary citizens having a greater voice in local and national government. Countries should focus on the creation of more and better jobs for women and men, and on ensuring that the rich pay their fair share of tax.

But this may not be enough for the current moment. That is why we recommend that countries and the global community in general consider how best to implement the following set of policies:

- Institute a wealth tax.
- Recognise, redistribute and reduce women's unpaid care burden.
- Increase corporate democracy — implement structural shifts towards employee control of companies.
- Institute a maximum wage that is proportional to the wage paid to the most junior workers in a company.
- Limit private finance for political parties and political campaigns.

The good news is that we know a lot about what policies are necessary to combat inequality. The bad news is that implementation is largely a problem of politics, not policy. Though a handful of people globally have access to a huge chunk of the world's wealth, the rest of us — more than 99% of the world's population — can unite to demand change. Many of the world's poorest and most marginalised communities are already part of this struggle, and if the rest of us work in solidarity with them to address inequalities, we can create a world free of patriarchy, racism, caste systems, and the rule of the hyper-elite.

1. Alice Krozer et al, (2015) *For Richer or Poorer, the Capture of Growth and Politics in Emerging Economies*, Oxfam International, https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/ib-for-richer-or-poorer-250915-summ-en.pdf (last accessed April, 2016).

Introduction

This paper intends to be a modest and thought-provoking contribution to ongoing discussions around inequality. ActionAid is an organization that works with communities in 45 countries who are struggling to realise their rights to land, food, employment and freedom from all forms of discrimination. As such we have ample experience of working in solidarity with communities struggling for their rights, and we are increasingly aware that one cannot talk about poverty and deprivation without also talking about wealth, consumption and the capture of power (economic, social, and political) by wealthy elites.

The past few years have seen an upsurge of discussions around inequality, with mainstream actors — including international financial institutions and right-wing think tanks — all rushing to declare inequality a problem. Unfortunately such declarations

are rarely backed up by action on the part of states or international bodies.

This paper is ActionAid's attempt help lay out the terms and scope of the debate and asks questions, including: what does it mean to take sides with most vulnerable and marginalised communities in the debate on inequality? What opportunities does framing the struggle for people's rights as a struggle against inequality give poor communities and their allies? How has the world become this unequal in the first place?

As well as posing these questions, the paper articulates the urgency for asking them now. And while it cannot claim to have comprehensive answers, this paper intends to be part of the larger discussion happening now in many spaces. Readers are strongly encouraged to join the conversation and share their insights at www.actionaid.org/insights.

“Fulfilling our promises to eliminate extreme poverty requires everyone to tackle inequality. I welcome the initiative to build a movement for a more equal world where each one of us takes responsibility.” **Graça Machel**²

Chapter 1:

Inequality is a struggle



Men and women on the streets in New Delhi as part of a campaign against Gender Based Violence. The gender gap means that women experience inequality more acutely. 16 December, 2013.

PHOTO: FLORIAN LANG/ACTIONAID

2. Remark at panel, September 2015, as cited from Ben Phillips, “People Power – What Progress on Fighting Inequality Would Look Like”, Global Policy Journal, <http://www.globalpolicyjournal.com/blog/11/11/2015/people-power-%E2%80%93-what-progress-fighting-inequality-would-look> (last accessed April, 2016).

“What thoughtful rich people call a ‘problem of poverty’, thoughtful poor people call with equal justice a ‘problem of riches’.” RH Tawney³

What is inequality? It is an exhausted woman working 60 hours a week in a clothing factory, and then coming home to cook, clean and improvise care for her sick child. It is a man losing the land that has fed his family for generations to a land grab by a large multinational. It is a woman cleaning luxury gated flats at dawn, getting mugged as she walks to work from her home on the edge of the city. It is a business executive taking a helicopter to the office in São Paulo, the same city where a woman walks four hours to get to a job that pays the minimum wage. It is the fact that these scenarios, and millions like them, exist in a world with enough resources to feed, clothe and house every woman, man and child several times over, but in which hundreds of millions live in danger of starvation.

Extreme inequality is the single biggest obstacle in the struggle to empower communities to realise their human rights. Communities have been struggling against inequality for thousands of years, whether the inequality between master and servant, between husband and wife, between landlord and peasant, or between governor and governed. After years of trial and error, we at ActionAid have come to understand that we cannot realise our vision of a world where everyone has access to their human rights without dramatically reducing inequalities.

What is inequality?

This paper is most concerned with the inequality in power and wealth between elites (especially those at the top in terms of economic wealth) and everyone else (especially those at the bottom — including the 40% of the world’s population who account for just 5% of global income).⁴ It also focuses on inequalities between rich and poor countries, and the most consistent and persistent of social inequalities - the gender gap that means women often experience inequality more acutely.

Many countries are succumbing to the emergence of plutocracy — the concentration of power in the hands of a very small group of wealthy people. Often the current plutocracy has links to historical ones, especially the colonial empires that controlled much of the world until 1975. Today’s inequalities express themselves in many ways, including between women and men, between different racial groups, between different faiths, and between people of low and high caste. In this paper we focus on the inequality of power between women and men that affects every single one of us, and on inequality of power between poor and rich. As well as measuring inequality in monetary terms, we also think in terms of time — for example, the long hours of unpaid care work done by women are a major factor in maintaining gender and income inequalities.⁵

Fundamentally the inequalities we are concerned with in this paper are a question of politics and democracy. We are told that in modern parliamentary

3. RH Tawney, Poverty as an industrial problem, in *Memoranda on the problems of poverty* (London: William Morris Press 1913).

4. Anoop Shah, January 2013, “Poverty Facts and Stats”, <http://www.globalissues.org/article/26/poverty-facts-and-stats> (last accessed April 2016).

5. Deborah Budlender and Rachel Moussié (February, 2013) *Making Care Visible : Women’s unpaid Care Work in Nepal, Nigeria, Uganda and Kenya*, ActionAid International, http://www.actionaid.org/sites/files/actionaid/making_care_visible.pdf (last accessed April, 2016).

democracies it is one person, one vote, and that everyone has some measure of equality before the law. Even the biggest fans of such systems agree that this is no longer the case (if it ever was). Elites can leverage their wealth to capture certain mechanisms of the state, and people from powerful groups (e.g. white men in South Africa) are treated differently than people from less powerful groups (e.g. black women in South Africa).

One can reasonably argue that inequality is at the foundation of colonialism, feudalism or even capitalism, and in this sense it has been part of human society for centuries, if not millennia. As we will discuss in greater detail below, we are in a unique moment in two respects in relation to inequality. First, we know – because there was a period in the recent past when inequality significantly

fell within most developed countries - that inequality is not necessarily always on the rise; it can be reduced, perhaps greatly reduced. Second, since that period of time ended in the late 1970s, the trend has reversed. The very wealthiest layer of the world's population — a small fraction of 1% — controls more than half of the world's wealth and has an inordinate amount of power in every type of political system. From authoritarian dictatorships to socialist/communist/one-party models and to parliamentary or presidential democracies, the hyper-elite always finds a way to pull the strings. It is therefore very difficult to imagine how the millions of people who live in poverty can improve their situation without dealing with the fact that the majority of global resources are being hoarded by a few, and that those same few are rigging the system to keep themselves in power.

BOX 1: The 'quiet' are no longer quiet — they are speaking out

They were brought up to be quiet. But they insist upon raising their voice. At a gathering in Lahore of grassroots women activists from different parts of rural and small-town Pakistan, women discuss what they have been doing to challenge the worst inequalities and hold government to account in their communities. To learn from each other they take it in turns to share their stories.

"I am a school teacher, and my school didn't have a boundary wall, or a toilet. So I met with the local government official and said that it needed to be fixed. He said there were no funds. I said that I would find that out using the Right to Information Act. He organised for the wall and the toilet."

"When a man murdered some young girls the police did nothing to arrest him. So I went to see the police to complain. The murderer's family went to visit my brother to put pressure on me to stop pushing. But my brother supported me. I stood firm. Then six days later the police arrested the killer."

"I organised for the women in my village to get ID cards — we could not get them because our marriages were not being recognised as Hindus. It can be difficult to be a Hindu, even harder to be a low-caste Hindu. We are called untouchable. But I don't care what they say. I am not afraid."

"That's right. If the authorities think we are weak and innocent they ignore us. But if they see that we know our rights, that we are strong, then they act."

"In my village there is a piece of land on which some very poor families have been farming for many years. But the government wanted to sell the land from under them. We organised a protest and the local media came. The families were weeping. I went inside to meet the official and urged him to stop the land sale. He asked why. I told him he was a public servant and his salary was paid for by these families' taxes. He laughed and said they pay no taxes, they are too poor. I said every time they buy something they are paying taxes. Even when they buy a match box they must pay tax on it. He told me that even if he wanted to stop the sale he could not. But I knew the rules and I told him he could postpone the sale and write to the higher ups recommending that the families be allowed to stay. We went outside together and he announced to the media that the sale had been postponed. The families still live on that land."

“These small-small things we are changing,” explains one of the women. They are an unlikely grouping: they speak different languages, have different religions, and come from different backgrounds. “You see this lady,” says one of her friends as she holds her hand, “she is a landlord’s daughter, not like the rest of us who are poor, but she is one of us now.” Her friend smiles: “And we are getting stronger, because we have learnt. And because we have each other.”

The bare facts of inequality

In China, income inequality has increased by 14 Gini points⁶ since the mid-1980s, although it has plateaued for the last 15 years. In South Africa it has increased by about 8 points since the early 1990s, and in India by a couple of points.⁷ In the US it has gone up by 8 Gini points since the 1980s. But it’s also true that some countries have bucked the trend: France’s inequality rate has fallen by 2 Gini points since 1980.⁸

The top 1% of the global population controls over half of global wealth — while the poorer half of the world controls less than 1% of wealth.⁹ The combined wealth of the 200 richest people in the world (\$3.18 trillion)¹⁰ is greater than the *total* wealth of Africa (\$2.83 trillion) and nearly equivalent to the total wealth of Brazil (\$3.194 trillion). The carbon consumption of someone in the richest 1%

is 175 times that of a person in the poorest 10%.¹¹ Economic inequality is striking by itself, but it is less well understood how sharply gendered it is. A recent IMF global study showed that achieving gender equality could reduce income inequality by 10 Gini points,¹² while ActionAid has calculated that women in developing countries could be \$9 trillion better off if their pay and access to paid work were equal to that of men.¹³ In Sub-Saharan Africa and South Asia women earn 80% less than men.¹⁴ Meanwhile, women from 32 countries (covering half the world’s female population) contributed as much as \$3 trillion in labour value to global healthcare in 2010, nearly half of it unpaid. This is 2.35% of global GDP.¹⁵ Women comprise 30% or more of those in decision-making positions in only five out of 35 developing countries surveyed by the UNDP.¹⁶

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6. The ‘Gini coefficient’ is a complex formula to gauge economic inequality, in use since 1912.
 7. Alice Krozer et al, (2015) *For Richer or Poorer, the Capture of Growth and Politics in Emerging Economies*, Oxfam International, https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/ib-for-richer-or-poorer-250915-summm-en.pdf (last accessed April, 2016).
 8. AB Atkinson (2015) *Inequality – what can be done?* London: Harvard University Press.
 9. Kersley and Stierli (October 2015), “Global Wealth in 2015, Underlying Trends Remain Positive”, Credit Suisse: <https://www.credit-suisse.com/uk/en/about-us/responsibility/news-stories/articles/news-and-expertise/2015/10/en/global-wealth-in-2015-underlying-trends-remain-positive.html> Wealth is defined by Credit Suisse as “the value of financial assets plus real assets (principally housing) owned by households, less their debts.
 10. Throughout this report, “\$” denotes US dollars.
 11. Oxfam Media Briefing (December, 2015), “Extreme Carbon Inequality: Why the Paris Deal must put the poorest, lowest emitting and most vulnerable people first”, Oxfam, https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/mb-extreme-carbon-inequality-021215-en.pdf (last accessed April, 2016)
 12. Christine Lagarde, (October, 2015), Official remarks delivered to Oxfam America, IMF website, <http://www.imf.org/external/np/speeches/2015/102215.htm> (last accessed April, 2016).
 13. ActionAid (2015), *Close the gap: the cost of inequality in women’s work*, ActionAid website: https://www.actionaid.org.uk/sites/default/files/publications/womens_rights_on-line_version_2.1.pdf (last accessed April, 2016).
 14. Over 80% is the sum of women as own-account workers and contributing family workers. See: International Labour Organization (2012) “Global employment trends for women”, Figure 5: Share of status in total employment by region and sex http://ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_195447.pdf p. 23
 15. <http://www.theguardian.com/global-development/2015/jun/05/women-backbone-healthcare-3tn-co> Guardian Staff (June, 2015) “Women are the backbone of healthcare with few rewards for \$3tn contribution”, The Guardian Website, <http://www.theguardian.com/global-development/2015/jun/05/women-backbone-healthcare-3tn-contribution> (last accessed April, 2016).
 16. UN Women, (2015), *Progress of the World’s Women 2015-2016*, UN Women, http://progress.unwomen.org/en/2015/pdf/UNW_progress-report.pdf (last accessed April 2016).

A 2014 paper by Oxford and Kings College professors disputes the conventional use of the Gini coefficient because it tends to minimize the extremes, and argues for adapting it to be a gauge of “absolute inequality.” Their methodology demonstrates that at the global level, inequality is in fact rising rapidly.¹⁷

Locally, examples of inequality and disempowerment are numerous, and hard to measure. In many Kenyan communities, custom dictates that a widowed woman gives up any claim to land, which is inherited father to son, sometimes resulting in evictions from the only homes women have known for decades. While changes in the constitution and law have given women tools to fight back, it can be challenging to battle the local customs and sons have even been known to try to push their mothers off the family land. In the same vein, many cultures view education of daughters as a

waste — encapsulated by the Chinese proverb that describes raising a daughter as “ploughing someone else’s field.”

Nearly half of Nepal’s Dalits (people of the lowest castes) live below the poverty line, and are much poorer than the dominant-caste population: the International Dalit Society Network published the story of Gore Sunar, a 55-year-old Dalit bonded labourer in western Nepal, who had worked without a salary for 25 years, in lieu of repaying loans. Landless Dalit women in India are even worse off, paid less than men for the same work. In Pakistan the top 5% of large landlords control over half of the country’s agricultural land, and their influence over local authorities deprives smallholder and landless farmers of their rights to land, water and credit. In Pakistan it is said that large landlords are always in power whatever the government — democrat or dictator.



A woman farmer and farmers’ leader in ActionAid Bangladesh’s LRP 45 (Ghoraghat, Dinazpur) highlights the how for farmers, and especially women farmers, inequality is increasing. She says ‘Our country’s Gross Domestic Product has increased; however, there is little reflection of that in the development of lives of people dependent on agriculture’.
PHOTO: ACTIONAID

17. Sudhir Anand and Paul Segal (2014), “The Global Distribution of Income,” <http://www.economics.ox.ac.uk/materials/papers/13376/anand-segal-handbook-pdf-mar15.pdf>, p. 946 and pp. 967-968.

BOX 2: The intolerable inequalities of land distribution and agricultural subsidy

Globally there are two systems of farming.¹⁸ The first, favoured by rich producers mostly in developed countries, is largely an industrial model of farming. Often relying on subsidies, large landholders farm using highly mechanised and highly input-intensive methods. They irrigate their fields, use pesticides and chemical fertilisers to maximise crop yields, and sell their produce on global markets. Farms of more than two hectares that use this kind of industrial model constitute only 16% of farms globally, but control 88% of the world's farmland.

The second system has different names, but can be termed family farming. Family farmers are often women and usually work a very small plot of land. These farmers generally have little if any access to government support, rely on rainwater for irrigation, and are often best served by reducing their dependency on chemical fertilisers and pesticides. They also often sell cash crops to global markets, but often find themselves unable to compete with large and often subsidised farmers who can afford to sell higher quantities at lower profit margins. The 84% of farmers who farm on less than two hectares control only 12% of the world's farmland.

The two-tiered nature of global agriculture gives an insight into the nature of global inequalities and how they persist. When a relatively small group — in this case rich producers — control the majority of wealth, policies are made to suit their needs. Studies show that the vast majority of farm subsidies/tax breaks even in developed countries are given to the largest and wealthiest companies. Those rich individuals and companies can hire lawyers and lobbyists to ensure that they get the best deals, while the poor majority remain silent because they do not have the resources to make their voices heard.

ActionAid and other organisations are working with women's small farmer organisations all over the world to ensure that their voices are heard on the issues that matter to them, such as access to markets, extension services etc. But given the huge inequalities in the sector, this is not enough. Governments must work to ensure that small farmers have access to and control over land – and that means that large farmers must have less.

How global policies hit ordinary lives

The control of a huge percentage of the world's resources by a select few has repercussions everywhere. Those of us who are several layers removed from the world of billionaires and presidents are still in many ways under their control. And many of the actions that take place on the global stage are felt acutely at the most local levels.

Decent **local** public services would enable women to be less tied to the home and give them more time and space to earn money and enjoy leisure time, but **global** tax rules allow big companies to keep the profits that could provide the revenue to pay for those public services — perpetuating

inequality. Poor women and men lose the local land that is their livelihood, because corporate land takeovers for biofuels, mining or export crops are permitted and encouraged by **global** donors and by national governments; in many countries this worsens centuries-old inequalities of land ownership. The links are becoming starker in this time of climate change, which is essentially caused by a **global** refusal to change economic 'business as usual'.

In Uganda, the army forced people off their land, without adequate compensation, to make way for a European-owned company to establish a large-scale coffee plantation.¹⁹ In Tanzania, pastoralists lost their land after local and national officials supported the royal family of the United Arab

18. Statistics in this section come from this FAO report: Sarah K. Lowder, Jakob Skoet and Saumya Singh (April 2014), "What do we really know about the number and distribution of farms and family farms in the world?" ESA Working Paper number 14-02, <http://www.fao.org/docrep/019/i3729e/i3729e.pdf> (last accessed April, 2016)

19. FIAN International, "Uganda – coffee plantations in Mubende", FIAN website, <http://www.fian.org/what-we-do/case-work/uganda-mubende/> (last accessed April 2016).

Emirates to establish a game reserve for hunting.²⁰ Malawi, the poorest country in the world by some measures, lost out on \$43 million in tax revenue from a single mining company because of a tax break from the government and the company's use of **global** tax rules to pay less.²¹ The Brazilian favelas, which are not on city maps but are home to 11.25 million people,²² are threatened with clearance by events like the 2014 World Cup and the 2016 Olympics. Jose Nerson de Oliveira, vice president of the favelas in Rio de Janeiro said, "It isn't about land or trees or anything like that. The simple fact is they don't want the poor close to them".²³ In all these contexts men, women and

children are impacted, but women, who experience inequality more intensely, are then subject to even greater indignities.

However, sometimes local actions can lead to national or even global policy change. A movement that began in Tanzanian villages to demand an end to user fees in primary schools was picked up by activists in the US, who persuaded Congress to pass a law banning US support for any World Bank programme with such fees. The Bank, in turn, changed its policy and stopped recommending school user fees globally, though it is now under pressure from corporate interests to change this policy.

BOX 3: Getting a foot in the back door

They call it an 'indaba' — which in several African languages means a community gathering to resolve its problems — but this particular indaba is no community gathering. In fact it is the world's largest meeting of the mining industry, where the rich and powerful from around the world gather in a plush Cape Town conference centre to determine which locations will be mined and who will get the money. It is a meeting, in its own words, "dedicated to the capitalisation and development of mining interests in Africa", at which "a powerful group... makes the vital relationships to sustain their investment interests". In the front rooms the delegates are entertained by Goldman Sachs, Dambisa Moyo and Tony Blair. In the back rooms mining corporations meet to cut secret deals with friendly governments and pressurise any governments who are not so compliant.

Through the huge glass windows the delegates can see protests. But they don't get to hear what the protesters have to say. They dismiss them as anti-mining, anti-progress. It is easy to complain, argue the mining indaba attendees, but would you really want an end to all mining?

No, say campaigners, who gathered in much less comfortable surroundings a few miles away for their 'alternative indaba'. The problem they highlight is not the existence of mining but a harmful imbalance of power that renders mining corporations a law unto themselves.

"The sharing agreements on mining deals in our [countries] are secret," say the campaigners, who have come from across Africa. "So we the public don't know what our national wealth has been sold for. After pressure, permission has been given to MPs to view these long and complicated agreements in a specific room for a set period of time without taking notes, so we're starting to get a picture, but we can't get final confirmation. From what we're seeing it looks like a really bad deal indeed — which is why it is secret in the first place."

"Our laws require that a set percentage of the proceeds must go to the community, yet we find places where the mining company has now finished and left, the environment has been trashed, and the community's share was never provided.

20. ActionAid et al (2015), "Human Rights NGOs Joint Intervention report", <http://www.thrd.or.tz/uploads/63.pdf> (last accessed April 2016)

21. ActionAid (2015), *An Extractive Affair*, http://www.actionaid.org/sites/files/actionaid/malawi_tax_report_updated_table_16_june.pdf (last accessed April 2016)

22. Julia Carneiro et al (June 2014) "Favela Life: Rio's City within a City" <http://www.bbc.com/news/world-latin-america-27635554> (last accessed April 2016)

23. Global Footprints, "Favelas in Brazil" <http://www.globalfootprints.org/issues/local/homeless/favelas.htm> (last accessed April 2016).

“Many of our officials and ministers and their family members are private shareholders or on the pay of the mining corporations, officially or unofficially, so when we challenge the corporations we are challenging the government.

“When we revealed illegal water pollution by a diamond mine, it was not the mining corporation who were arrested, but us. The fines for mining companies who break the laws are so low that the mining corporations happily factor them in as a cost of business.

“Our government is finally standing up to mining corporations and demanding they pay their fair share of tax. But neighbouring governments have shown absolutely no solidarity. The AU has to work much more closely together. We cannot have a race to the bottom.”

“When you start to engage the mining corporations you hope to change them, but if you are not careful they can end up changing you. After we criticised a mining corporation they invited us for a tour, so, they said, we could see that they were not as we had said. At the end of the tour they tried to present us with gems ‘as a souvenir gift’. We told them we were not allowed to accept hospitality. The message was clear.”

Campaigners are asking governments to hold mining corporations to account for:

- negotiating open and transparent agreements so citizens know what is happening with their national wealth;
- paying their fair share of taxes;
- implementing a policy of free, prior and informed consent, so that acquiring communities’ land requires that communities agree;
- paying fair wages, protecting workers’ health and safety and respecting workers’ rights to organise;
- obeying environmental laws;
- ending any lobbying for a lowering of these basic standards.

That’s not a charter for the end of mining. It’s a democratic proposal that would ensure mining really does benefit the people from under whose feet the wealth is taken. The current power imbalance means that governments, who should be overseeing corporations and protecting citizens, are instead protecting corporations and overseeing citizens. What should bring prosperity is instead bringing misery, and legitimate challenge to the mining industry is being met not with solutions but with brute force.

The time for talking is over

By common consensus we are living through an inequality crisis. Prominent economists are explicitly renouncing the theories, and results, of market economics after a 35-year reign.²⁴ A broad spectrum of other prominent leaders is also targeting the resulting inequalities.

José Mujica, until recently the President of Uruguay, summed up his platform by saying: “Businesses just want to increase their profits; it’s up to the government to make sure they distribute enough

of those profits so workers have the money to buy the goods they produce.”²⁵

And on the presumed other end of the political spectrum, Christine Lagarde, the Managing Director of the International Monetary Fund (IMF) — the institution most responsible for propagating ‘free-market’ or ‘neoliberal’ policies worldwide in the 1980s and 1990s — has said, “A greater concentration of wealth could — if unchecked — even undermine the principles of meritocracy and democracy. It could undermine the principle of equal rights proclaimed in the 1948 Universal Declaration of Human Rights.”²⁶

24. See, for example, Paul Krugman (September, 2009), “How Did Economists Get it so Wrong?” *New York Times Magazine*, <http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html> (last accessed March, 2016).

25. Hyacinth Mascarenhas (June, 2014) “15 Powerful Quotes from the World’s Most Humble President”, <http://mic.com/articles/92369/15-powerful-quotes-from-the-world-s-most-humble-president#>, (last accessed April 2016).

26. Christine Lagarde (May 27, 2014) Prepared remarks, <https://www.imf.org/external/np/speeches/2014/052714.htm> (last accessed April, 2016).

Pope Francis recently called rising inequality “the root of social evil”.

In a landmark 2013 speech, US President Barack Obama called inequality “the defining challenge of our time”, and said, “rising inequality and declining mobility are bad for our democracy. Ordinary folks can’t write massive campaign cheques or hire high-priced lobbyists and lawyers to secure policies that tilt the playing field in their favour at everyone else’s expense. And so people get the sense that the system is rigged, and that increases cynicism and polarisation, and it decreases the political participation that is a requisite part of our system of self-government.”²⁷

For three years in a row the World Economic Forum — the highest-profile forum for global businesses, politicians and other public figures, which meets annually at Davos, Switzerland — has said that income disparity risks precipitating social and political instability, and indeed that it is the most likely of the economic risks it identifies.²⁸ So even those who insisted that it was poverty and not inequality that should be the focus of the discussion have now conceded that addressing inequalities must also be a part of the solution.

The world has also clearly and firmly committed to tackling inequality. This is a real and welcome

change from previous decades, when most world leaders overtly pursued policies that exacerbated it. The 2015 Sustainable Development Goals, ratified by United Nations Member States, include a goal to “achieve gender equality, and empower all women and girls”, and another to “reduce inequality within and among countries”.

However, while political elites seem concerned about the outward manifestations of inequality, they continue to ignore and perpetuate its structural causes. The day after the SDG deal was signed, the language of mega-investments and free trade at all costs continued to dominate in a meeting on growth that was part of the official SDG agenda.²⁹ And in Africa for example, policy changes slated for various countries in 2016 and beyond are hardly inequality-reducing. They include removing subsidies for fuel, food, and electricity; public sector wage caps; increasing consumption taxes such as VAT that often hit poor women hardest; selling off more government assets to companies; and reducing levels of social protection and labour laws.³⁰

Many elites may agree with poor communities that inequality is a problem, but those same elites continue to perpetuate it.

27. Politico (December, 2014) “President Obama on inequality (transcript),” <http://www.politico.com/story/2013/12/obama-income-inequality-100662#ixzz3tYVXvn7l>, (last accessed April 2016)

28. World Economic Forum, “Worsening Wealth Gap seen as Biggest Risk facing the World in 2014”, <https://www.weforum.org/press/2014/01/worsening-wealth-gap-seen-as-biggest-risk-facing-the-world-in-2014> (last accessed April, 2016)

29. Adriano Campolina, “Opinion: The Party’s Over for the Sustainable Development Goals”, Inter Press Service, <http://www.ipsnews.net/2015/09/opinion-the-partys-over-for-u-n-s-sustainable-development-goals/> (last accessed April, 2016).

30. Isabel Ortiz, Matthew Cummins, Jeronim Capaldo and Kalaivani Karunanethy (2015) “The Forthcoming Adjustment shock”, a briefing based on “The Decade of Adjustment: A Review of Austerity Trends 2010-2020 in 187 Countries”, Geneva: International Labour Organization, the Initiative for Policy Dialogue at Columbia University and the South Centre.

"Inequality is a choice." Joseph Stiglitz³¹

Chapter 2:

The mindset created to shore up convenient falsehoods



Women at the Mwakirunge dumpsite in Mombasa, Kenya. As a result of the dumpsite, established in 2008, nearby soil has become less fertile and there are reports of animal deaths. It exemplifies how inaction by local government results in the poor becoming poorer.

PHOTO: ACTIONAID

31. Stiglitz (2015), *The Great Divide: Unequal Societies and What we can do about them*, Norton.

“There are some things in our society and some things in our world for which I am proud to be maladjusted... I never intend to adjust myself to economic conditions which take necessities from the many to give luxuries to the few and leave many of god’s children smothering in an airtight cage of poverty in the midst of an affluent society.” Dr Martin Luther King, speech to Western Michigan University, 1963

Those with the power to set and shape economic policies have established a set of convenient falsehoods to support them. To generate popular consent for the policies that perpetuate economic inequality, this set of false assumptions has been repeated so often that they are now axiomatic — widely accepted as ‘common sense’ — such that many people believe that there is no alternative. This persists despite the fact that the evidence against these falsehoods continues to mount.

The ‘Washington Consensus’, identified in the early 1980s by economist John Williamson as the generally accepted ideal policy package for developing countries,³² may be disowned in today’s development discourse, but it is much harder to remove the actual policy frameworks it generated. Washington consensus policies include trade liberalization, budget austerity (usually accomplished through cutting social protections for the vulnerable), and privatisation (selling of government assets, often to those who bankroll political campaigns). These policies used to be forced on indebted countries through the IMF; nowadays elites in poor countries seem to need no coercing. And elements of the Washington Consensus are now invoked by Northern politicians to push through austerity policies, such as those being implemented in much of Europe.

These policies exacerbate inequality in the distribution power and resources. Broadly speaking, they amount to maximising companies’ and financiers’

freedom to operate, and limiting the role of government in some areas (e.g. social protection and state-owned enterprises), while increasing it in others (e.g. intellectual property protection, and the military/police). Results include women’s continued and increased unpaid care work all over the world, the de-industrialisation of Africa, small farmers’ land being sold to the highest bidder, weakened protection for workers, lower tax revenues, poor public services, and the failure to constructively confront climate change.

People with **power** seek to preserve and increase it; this is why democratic systems include an array of checks and balances. But as these policies have concentrated wealth, a select few have built up ever greater power, and they have sought ways to preserve and further increase that power, using their unprecedented levels of resources to gain unprecedented influence over decision-making processes. Companies and wealthy individuals routinely buy access to politicians. And they have started to run for office in greater numbers, or generously finance those who agree with them. From the elaborate schemes employed by politicians and businesspeople in many developing countries to construct a relationship of mutual dependency, to unlimited election campaign funding in the US, the balance of power is shifting ever more sharply to a restricted circle of the wealthy.

Along with policies that maintain inequality and the power imbalance that feeds on it, a **mindset** has evolved to support it: the idea that even though prevailing policies hurt most people, the bitter medicine is necessary for longer-term health. This narrative actively encourages inequality as

32. John Williamson (2004), “A Short History of the Washington Consensus,” <http://www.iie.com/publications/papers/williamson0904-2.pdf> (last accessed April, 2016)

a growth and development strategy. Going by many names, from the benign-sounding 'free-market economics' to the technical-sounding 'neoliberalism', to the more sinister-sounding 'market fundamentalism', it is a philosophy that insists that governments should restrict their

guidance of economies. It takes for granted and leaves unrewarded the huge time and labour subsidy women contribute to all economies through their unpaid work in fields, in the community, and in the home. It values competition above collaboration, aggression over co-operation.



Nova Holanda, Complexo de Mare, Rio de Janeiro, Brazil. Complexo da Mare is a complex of favelas (shanty towns) in Rio de Janeiro. Favelas exist side by side with high rise apartment blocks, a stark illustration of how inequality is manifested.

PHOTO: EDUARDO MARTINO/DOCUMENTOGRAPHY ACTIONAID

Lie #1: *Inequality is necessary to generate economic growth*

For a few decades, the prevailing wisdom has been that growth will only happen if ‘wealth creators’ are allowed to get as rich as they like; in other words, that inequality is necessary to generate growth. But not only is this a myth, it seems that too much inequality might actually inhibit growth. The World Bank recently referred to “... evidence from recent research that rising inequality may be harmful to economic stability and growth. Not only can rising inequality undermine longer-term growth prospects, but it can also hurt growth in the short to medium term by weakening aggregate demand.”³³ The IMF looked at many countries and found that, for a given level of redistribution, lower inequality consistently goes with faster — not slower — growth.³⁴ “Fundamentally, excessive inequality makes capitalism less inclusive. It hinders people from participating fully and developing their potential,” says Christine Lagarde, Managing Director of the IMF.

But, say critics, redistribution policies — such as social protection programmes or progressive taxation that taxes higher incomes at a higher rate to pay for programmes for those at the lower end of the income spectrum — harm growth. Wrong again, says the IMF now, which in recent studies finds that many redistributive policies are also good for growth — for example, taxes on financial risk-taking, and cash transfers that enable more children to go to school. Overall, it finds that “in general, redistribution appears benign in its impact on growth”, except in extreme cases.

Growth is not everything of course. Sustainability, equity, and job creation are probably better metrics. But even for those obsessed with growth, increased inequality hinders their objective.



G20 Protests in France, November 2011. Not only can G20 nations do more to address global inequality, there is also increasing inequalities within G20 countries.

PHOTO: MAIRA MARTINS/ACTIONAID

33. Zia Qureshi (June, 2015), “Addressing Rising Inequality in G20 Countries”, World Bank Development blog, <http://blogs.worldbank.org/developmenttalk/addressing-rising-inequality-g20-economies> (Last accessed April, 2016)
34. Andrew G. Berg and Jonathan D. Ostry (2011), “Inequality and Unsustainable Growth: Two sides of the same coin?” IMF Staff Discussion Note, <https://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf> (last accessed April, 2016)

Lie #2: *If people can't get as rich as they like, economies will grind to a halt as wealth creators 'go elsewhere'*

A 2015 newspaper article estimated that thousands of millionaires had left India in the previous decade and a half.³⁵ It was covered extensively across South Asia, and prompted much hand-wringing about how to keep these 'wealth creators and job makers' at home. In 2012, the Bloomberg Business website sounded a warning in response to the French president's announcement of tax rises for top earners. 'France entrepreneurs flee from Hollande wealth rejection',³⁶ it warned, quoting a raft of tax lawyers, real estate brokers and executive search firms.

This idea is based on the notion that there is a finite pool of 'wealth creators' who bestow prosperity on the rest of society. But in fact wealth creation relies on much more than a few individuals. Economist Ha-Joon Chang writes, "If you want to set up your Samsungs and your Volkswagens of the developing world, entrepreneurship needs to be done collectively. Governments need to support this ... creating mechanisms for people to collectively create organisations."³⁷ British journalist George Monbiot has famously said, "If wealth was the inevitable result of hard work and enterprise, every woman in Africa would be a millionaire."³⁸ According to Chang, 70-80% of people in many developing countries are entrepreneurs — defined as self-employed — as compared with 13% in developed countries.³⁹ The 'working rich' in the top 0.1% are often not wealth creators at all: instead most of them either work in finance or control key positions where they can determine their own pay: "a disproportionate chunk of the very rich [Americans] have made their money on Wall Street rather than Main Street".⁴⁰

And do the 'wealth creators' *actually* leave when limits are put on their accumulation? Available evidence appears to suggest not. A 2014 study on interstate migration⁴¹ in the US found differences in state tax systems and levels do not have a significant impact on interstate migration, especially for wealthy individuals, whose choices are more informed by house prices or weather conditions. An earlier study on Switzerland had similar findings.⁴²

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35. Times of India Staff Writer (2015), "61,000 Indian Millionaires shifted overseas in last 14 years," TOI website, <http://timesofindia.indiatimes.com/india/61000-Indian-millionaires-shifted-overseas-in-last-14-yrs/articleshow/48223158.cms> (last accessed April, 2016)
 36. Anne-Sylvaine Chassany and Jacqueline Simmons (2012) "France Entrepreneurs Flee from Hollande Wealth Rejection," Bloomberg, <http://www.bloomberg.com/news/articles/2012-05-10/entrepreneurs-in-france-flee-from-hollande-s-rejection-of-wealth>, (last accessed April, 2016).
 37. Ha-Joon Chang (2014), "Six things they don't tell you about creating jobs for young people", Guardian website, <http://www.theguardian.com/global-development-professionals-network/2014/may/28/creating-jobs-youth-unemployment-myths>, (last accessed April, 2016).
 38. George Monbiot (2011), "The 1% are the very best destroyers of wealth the world has ever seen", The Guardian website, <http://www.theguardian.com/commentisfree/2011/nov/07/one-per-cent-wealth-destroyers> (last accessed April 2016)
 39. Ha Joon Chang (2011), *23 things they don't tell you about capitalism*, Penguin Books.
 40. The Economist staff writers (2012), "The Rich and the rest", Economist website, <http://www.economist.com/node/21564418> (last accessed April, 2016)
 41. Michael Mazerov (2014), "State Taxes have a negligible effect on Americans' Interstate Moves", Center on Budget and Policy Priorities website, <http://www.cbpp.org/research/state-budget-and-tax/state-taxes-have-a-negligible-impact-on-americans-interstate-moves> (last accessed April, 2016)
 42. Thomas Liebig and Alfonso Sousa-Poza, "The influences of taxes on migration: Evidence from Switzerland", Cambridge journal of Economics vol 30, no 2. http://www.jstor.org/stable/23601827?seq=1#page_scan_tab_contents

Lie #3: *The profit-driven private sector works better than the public sector*

Over the past three decades, the idea of the effectiveness and efficiency of the private sector operating in a free market has come to dominate public policy in every region of the world, while government has been popularly caricatured as ineffective, inefficient and corrupt. Markets have been introduced into areas previously considered sacrosanct, among them prisons, water provision, health care, and education. Aid is no exception, with many donors vigorously promoting the role of the private sector in development.

It is sometimes true that private sector involvement enables service provision where otherwise there would be none. But it is far from being a magic bullet.

Private financing is expensive. Involvement of the private sector in public services has often increased — rather than decreased — the cost, because capital used to finance private sector provision is more expensive than public sector financing. The cost often ends up being higher than in the original business case — in Europe, for example by 72%.⁴³ In Malaysia, privatisation of the healthcare system led to dramatically increased costs for the government.⁴⁴ The current rush to private sector financing for infrastructure in the developing world is particularly ironic, given that public capital is unusually cheap at the moment.⁴⁵

Private provision of public services is often an accounting trick used by governments to make the public debt look lower. However, it can still have an impact on the public purse in the longer term. If private service providers find they cannot make enough profit by providing those services to poor people, governments have to step in to subsidise the operations and sometimes bail out the companies. Tanzania,⁴⁶ Colombia⁴⁷ and 35 other countries are now 're-municipalising' water provision after previous privatisation.⁴⁸ In Brazil and Peru, privatisation of electricity increased prices for the consumer up to 50%.⁴⁹ Low-cost private schools might only charge a few dollars per month per child, but the many people who live on a dollar or two a day and have four or five school-age children clearly cannot afford this. And when parents have to pay for their children's education, they prioritise boys, meaning that as girls grow up they are less likely to have access to jobs and resources.

Some public involvement is also needed in innovative research. Microsoft founder Bill Gates argued recently that "the private sector is inept" when it comes to researching and rolling out new forms of energy.⁵⁰ His is one of a growing number of voices pointing out that the state must play, and has already played, a vital role in fostering innovation and promoting growth.⁵¹ For example, the development of every technology that makes the

43. European Strategy Services, "The Private Finance Initiative in the NHS", ESS website, <http://www.european-services-strategy.org.uk/publications/public-bodies/pfi/pfi/> (last accessed April, 2016).
44. Martin Luther Otu (2004), "From Social Contract to private contracts", Social Watch Website, <http://www.socialwatch.org/node/9446> (last accessed April, 2016).
45. Giacomo Corneo (2014) "Public capital in the 21st century", Friedrich-Ebert Stiftung, <http://www.feslondon.org.uk/cms/publications/details/public-capital-in-the-21st-century.html> (last accessed April, 2016).
46. Nuria Molina & Peter Chowla (2008) "The World Bank and water privatisation: public money down the drain" <http://www.brettonwoodsproject.org/2008/09/art-562458/> (last accessed March, 2016).
47. John Vidal (January 2015) "Water privatisation: a worldwide failure?" The Guardian <http://www.theguardian.com/global-development/2015/jan/30/water-privatisation-worldwide-failure-lagos-world-bank> (last accessed April, 2016).
48. Satoko Kishimoto, Emanuele Lobina, Olivier Petitjean (2014) *Here to stay: water remunicipalisation as a global trend*, <https://www.tni.org/en/publication/here-to-stay-water-remunicipalisation-as-a-global-trend> (last accessed April, 2016).
49. Otu, 2014
50. James Bennet (2015), "We Need an Energy Miracle", The Atlantic, <http://www.theatlantic.com/magazine/archive/2015/11/we-need-an-energy-miracle/407881/> (last accessed April 2016)
51. Sabrina T. Howell (2015) "Financing Constraints as Barriers to Innovation: Evidence from R&D Grants to Energy Startups", Yale University, http://economics.yale.edu/sites/default/files/howell_innovation_finance_jmp_jan7.pdf (last accessed April 2016).

iPhone 'smart' (Internet, GPS, touch-screen...) was directly publicly funded.⁵² And 'letting the market decide' also has its problems. The Ebola outbreak of 2014 could have been ended much more quickly had medicines and vaccines been available. But those affected had very weak purchasing power, so the private sector was insufficiently incentivised to develop these drugs.⁵³ Academics such as Ha-Joon Chang and Dani Rodrik⁵⁴ point to the vital role that an active governmental industrial policy has played in development of rapidly growing economies such as those of South Korea and Taiwan.

Lie #4: Efficiency is an economic imperative

It's often good to be efficient. Free-market economics is fundamentally based on the idea that the free market is the most efficient way to get things done.

In life, though, you don't always want efficiency to be paramount. If you're looking after a toddler, or listening to a friend's troubles, or playing music, getting it done efficiently is unlikely to top your list. It's the same when we talk about economic decisions, which are after all embedded in our larger lives. Efficiency can be a virtue, but it shouldn't be the only one.

Economic efficiency — which is central to free-market economics and therefore underlies conventional policy wisdom — has a particular meaning. It means that things are arranged to generate the highest possible level of output with minimum input, so that output and growth are maximised. Conventional wisdom finds this self-evident. It's got to be good to have a bigger plate of food than a smaller one, it says.

But maximising efficiency and output might not maximise human welfare. As economist Tony Atkinson says, "A smaller cake more fairly distributed may be preferable to a larger one with present levels of inequality."⁵⁵ Objectives such as staying within environmental boundaries, or improving gender equality, could and should sometimes trump maximising output.



Children playing in Hoa Binh Province, Vietnam, 2012. In 2010 9% of children in Hoa Binh Province were malnourished. Maximising efficiency does not translate into effective policy making.
PHOTO: ACTIONAID

52. Mariana Mazzucato (2015) "The Creative State", RSA Journal Issue 2, <http://marianamazucato.com/wp-content/uploads/2015/09/2015-01-08-RSA-Journal-The-Market-Creating-State.pdf> (last accessed April, 2016).

53. ActionAid discussion paper (2015) "After Ebola: Research into medicines for diseases of poor countries, and how to finance it", ActionAid, www.actionaid.org.uk/sites/default/files/publications/medicine_research_for_neglected_diseases.pdf (last accessed April 2016).

54. Dani Rodrik (2010) "The Return of Industrial Policy", Project Syndicate website, <http://www.project-syndicate.org/commentary/the-return-of-industrial-policy> (last accessed April, 2016).

55. AB Atkinson (2015) *Inequality – what can be done?* London: Harvard University Press.

Lie #5: *The market price reflects the value of work*

Every day, hundreds of millions of women and girls will collect firewood and water, cook and clean, take care of the young, the elderly and the sick, all with no pay at all. And often this is while *also* doing a poorly paid and precarious job. Two and a half times more unpaid care work is done by women than men.⁵⁶ The value of unpaid childcare is estimated across countries at between 10% and 39% of GDP.⁵⁷ Without the subsidy women provide, the world economy would not function. Yet according to the market, it does not exist.

The situation in *paid* care work (including healthcare and education) is challenging too: care workers, mostly women, are poorly compensated for their skills and experience in comparison to other workers.⁵⁸ Women comprise 83% of domestic workers, who have little social protection and few labour rights.⁵⁹ In general, there is a 24% gap between women's and men's earnings.⁶⁰

The System of National Accounts (SNA), the internationally agreed standard for measuring economic activity, completely excludes unpaid care work, so it is not included in GDP calculations⁶¹ and it is not reflected in current macroeconomic concepts.

Despite all this, nobody disputes the importance of care work. But its undervaluing and invisibility in economic statistics illustrate that what is considered of value in society is not necessarily of worth in the eyes of market economists. It also further proves the long-standing truth of feminist economics: strong links exist between the market value of work that is being done and *value attached to the social groups* who do it.⁶²



Sandhya Limbu is 31, married with three daughters aged 9, 8 and 4 years old and lives in Nepal. Sandhya says that women are responsible for doing all the unpaid care work at home. This work is not valued in society and women are not able to explore other economic opportunities.

PHOTO: NAYANTARA GURUNG KAKSHAPATI/
ACTIONAID

56. UN Women, 2015

57. UN Women, 2015. p200. Figure relates to countries with data. Putting an economic value on unpaid care work cannot do justice to its price-less social function, but it is nevertheless instructive.

58. Budig and Misra 2010. "How Care-Work Employment Shapes Earnings in Cross-National Perspective." *International Labour Review* 149, no.4: 441–60. <http://onlinelibrary.wiley.com/doi/10.1111/j.1564-913X.2010.00097.x/abstract;jsessionid=53B7BE3B049028AC6EC7DFB525FA487E.f01t02> (last accessed April, 2016).

59. UN Women, 2015.

60. *ibid.*

61. Budlender and Moussié, 2013.

62. Diane Perrons (July 2015) "Gendering the Inequality debate", Oxfam, <http://policy-practice.oxfam.org.uk/publications/gendering-the-inequality-debate-560890> (last accessed April, 2016).

Lie #6: *Women will achieve economic empowerment through education and training, and access to credit*

Education and access to credit are both important factors in reducing women's inequality. But they are not magic bullets. While girls now have equal access to education in most countries (though illiteracy rates among women are still high), ActionAid has found that in low-income countries, more than twice as many women with a secondary education are unemployed as men with the same.⁶³ Disparities vary from region to region: in the Middle East and North Africa, where women's labour force participation is particularly low, almost 60% of unemployed women hold advanced degrees, versus 20% of unemployed men.⁶⁴ Nor does education necessarily translate to a reduction in the pay gap between men and women. One study of 64 countries, after accounting for gender differences in education, found that the size of the (adjusted) pay gap has actually increased.⁶⁵

Access to credit can boost women's economic security, and in Africa, urban female-owned companies have access to 2.5 times less start-up capital than male-owned equivalents.⁶⁶ However, increasing women's access to credit, especially microcredit — a popular strategy in recent years — can only be a partial response. Experience has clearly shown that the lending practices of many microfinance institutions, especially high interest rates and imposing collective responsibility for loans, can in fact increase women's economic vulnerability and push them further into debt.⁶⁷



Sibusisiwe Dube (36) and a friend in Nkayi, Zimbabwe. Communities here have for many years suffered from food insecurity due to erratic rainfall patterns experienced in the district. Different measures are needed to ensure communities are less vulnerable to the impacts of climate change.

PHOTO: ACTIONAID

63. Economists Without Borders (2014) Gender Discrimination and Unemployment, report for ActionAid. See Economists Without Borders (2014) "Gender Discrimination and Unemployment" with ActionAid, <http://economistswithoutborders.net/uk/projects/gender-discrimination-and-unemployment-ewb-london-team/> (last accessed April, 2016). See <http://datatopics.worldbank.org/Gender/topic/education> which shows that in most regions of the world female secondary school enrolment is lower than male secondary school enrolment, therefore we can assume that the over-representation of educated women among the unemployed does not simply reflect a greater number of women educated to a secondary level than men in wider society.
64. Ibid.
65. Nopo, H., N. Daza and J. Ramos (2011) "Gender Earnings Gaps in the World." IZA Discussion Paper No. 5736. Institute for the Study of Labour, Bonn. <https://openknowledge.worldbank.org/handle/10986/9114> (last accessed April 2016) (Note that this should not be taken as an argument against equal access to education; rather the need for women and girls to have access to free, high-quality education, and for women to have equal pay for equal work in the labour force.
66. The World Bank (2012) Gender Equality and Development, World Development Report.
67. UN Women, 2015.

Lie #7: *Climate change has nothing to do with economics*

Climate change is one of the most dramatic illustrations of inequality imaginable. Scientists agree that tropical areas — where most developing countries are located — are being hit more heavily by the impact of climate change; furthermore, poor people, who have done least to cause it, are also much less well-equipped to deal with the impacts.

Global climate change negotiations have foundered on the question of how much rich countries will compensate developing countries. Those countries did not benefit from burning fossil fuels in the same way, and are already feeling the worst impacts. The compensation must be done in a way that permits the economic development necessary to close the inequality gap between rich and poor countries. This will mean that rich people wherever they are, and rich countries as a whole, will have to reduce their consumption. It is this that drives countries like the USA to resist real progress in climate negotiations, and many to try to deny the science of climate change.⁶⁸

The economist Herman Daly makes a link between the roots of climate change and the roots of free-market economics. The year 1776 was when Adam Smith, often cited as the pioneer theorist of capitalism, published *The Wealth of Nations*, but also the year that James Watt, inventor of the steam engine, made his first sale. Burning coal, the steam engine was in effect the beginning of the fossil fuel surge that has caused today's climate change. They write:

*It is no coincidence that the market economy and fossil fuel economy emerged at essentially the exact same time. [...] New technologies and vast amounts of fossil energy allowed unprecedented production of consumer goods. The need for new markets for these mass-produced consumer goods and new sources of raw material played a role in colonialism and the pursuit of empire. The market economy evolved as an efficient way of allocating such goods, and stimulating the production of even more.*⁶⁹

It probably is a coincidence that the United States was founded in 1776 too, but a fitting one, since it would provide the markets, raw materials, and finance that has taken consumerism to its most extreme level, and thus contributed most to climate change. And although the United States devised many of the financial regulations that fostered greater equality in the post-World War II period, it has also driven the de-regulation and 'Washington consensus' economics that have exacerbated inequality in the last 35 years, culminating in the global financial crisis that started in 2008.

In her 2014 book *This Changes Everything*, Naomi Klein argues that global inequality, political unrest, financial crisis, conflict, and climate change are symptoms of an economic system that has exceeded the boundaries of sustainability. We have reached a critical point where drastic action is necessary to curb climate change now, so she suggests:

*Climate change pits what the planet needs to maintain stability against what our economic model needs to sustain itself. But since that economic model is failing the vast majority of the people on the planet on multiple fronts, that might not be such a bad thing. Put another way, if there has ever been a moment to advance a plan to heal the planet that also heals our broken economies and our shattered communities, this is it.*⁷⁰

68. Naomi Oreskes, "Exxon's Climate Concealment," *New York Times*, 10 October 2015: <http://www.nytimes.com/2015/10/10/opinion/exxon-climate-concealment.html>.
69. Herman E. Daly and Joshua Farley (2011) *Ecological Economics: Principles and Applications*, Washington, DC: Island Press, p. 10 – Quoted in Naomi Klein (2014) *This Changes Everything*, New York: Simon and Schuster p. 173.
70. Naomi Klein, 2014. p. 155.

BOX 4: How the super-rich bend facts to make the marginal mainstream

There is a famous story (who knows to what extent it is true) about a meeting between economist Art Laffer and two advisors to US President Gerald Ford — Dick Cheney and Donald Rumsfeld. The story is that in explaining his argument for lowering taxes on the rich, Laffer sketched a graph on a napkin. The graph, later known as the ‘Laffer curve’, in a way stated the obvious. When a government taxes at 0%, it gets nothing, and when the government taxes at 100% it also gets nothing (because no one will work just to give their wages to the government). There is some rate in between 0% and 100% that will see the government maximising tax revenue and incentivising work and GDP growth, but it is not obvious from the Laffer curve what that rate would be. Nor does the Laffer curve get into the basics of different kinds of taxes, how tax rates ought to differ depending on a citizen’s income and so on. In other words, the Laffer curve doesn’t tell us very much at all, and it did little to convince the Ford administration to change income tax rates.

This story would not signify anything were it not for the fact that this anecdote is basically the beginning of the so-called ‘supply side revolution’ in economics. During the presidency of Ronald Reagan (1980-1988), top income tax rates were slashed by more than half, meaning that top earners paid less than half of what they used to pay into the national pot. The revenues were compensated for by slashing social protections, privatising infrastructure, and increasing fees for things like public transport. In other words, by 1990, the poor were paying a lot more — and the rich a lot less — for the same level of public infrastructure and public investment. Similar processes took place in a number of other developed countries during or immediately after this period.

This was possible in no small measure because of people like Richard Mellon Scaife, who was one of the richest people of his day and became so almost entirely through family inheritance. Avoiding the spotlight, he put his money into right-wing causes. Chief among his concerns was lowering his own contribution (and those of other rich people) to the national coffers. Through support for conservative think tanks such as the Heritage Foundation and the American Enterprise Institute and through his ownership of several media outlets, Scaife was able to push marginal ideas — such as the need to drop tax rates for the rich — into the mainstream. Often this was done despite the unpopularity of his ideas or of his newspapers. One of his newspapers, the *Pittsburgh Tribune-Review* ran at a loss of between \$2-3 million per year. For Scaife this was a worthwhile investment to be able to change the national dialogue and ultimately save himself millions through changes in the tax code. He was able to do that largely through persistence — pushing the same issue through different platforms for years — and through influencing the agenda of key right-wing politicians, often through direct campaign donations.

ActionAid activists and coalition partners demonstrating at the Agricultural Investment Demonstration June, London 2012. When rich people and countries invest in land in developing nations, they make profits, whilst communities have less land to sustain themselves and become poorer.

PHOTO: ACITONAIID



“This dance is not mine alone, this dance is by us all.” Brazilian campaigners for land⁷¹

Chapter 3:

Power comes from below



Soweto Pride takes place annually in South Africa with activists supporting LGTIAQ+ people who continue to be threatened by violence and discrimination. People power is a strong force for change.

PHOTO: KATHERINE V. ROBINSON/ACTIONAID

71. Ben Phillips (April 2015) ““Organizadas Somos Fortes” – Organised we are powerful. Reflections from the landless movement in Brazil”, Global Dashboard, <http://www.globaldashboard.org/2015/04/28/organizadas-somos-fortes-organised-we-are-powerful-reflections-from-the-landless-movement-in-brazil/> (last accessed April 2016).

“Don’t get lost in influence peddling. Power for change always comes from below.”
Njoki Njehu, Kenyan activist for economic justice⁷²

Shifting away from the false assumptions outlined in the previous chapter and toward the positive policies we recommend in the following one requires changing what is politically feasible, by changing the balance of power. This is starting to happen.

Given the prevailing power imbalance discussed so far, we cannot expect better policies to become reality just because they make sense, because they are supported by evidence, or because they are in the best interests of most people. Instead, many small movements around the world, dealing with the injustices and inequalities they find locally, need to take power back from those who have stolen it from their predecessors. Progress in the fight against inequality will require a strengthening of the power of ordinary people. It will involve more people finding support in community groups and trade unions, and a stronger voice for people in the decisions that affect them. The scale of change entailed can only come about through pressure from below, and any policy change would be either inadequately followed through or be too easily reversible unless people power can hold governments to account.

People power around the world

In the Indian state of Uttar Pradesh, women with a deep knowledge of agriculture say, “We are not

farmers’ wives, we are farmers.” Yet in Uttar Pradesh only 6% of women own land — mostly widows or women with no brothers — and 3% have joint ownership with their husbands. The women farmers collected thousands of signatures asking for the tax on joint land transfer to be removed, and now they are marching for this. Previously, farmer training was offered only to men, so the women farmers marched, and a third of places are now offered to women. They are still marching, until they get half.⁷³

In South Africa, in the town eMalahleni (which means ‘the place of coal’), people are banding together as MACUA — Mining Affected Communities United in Action — with the slogan ‘nothing about us without us’. The mine in eMalahleni is unfenced (although it is supposed to be sealed off), and in places giant sink holes have opened up. Underground fires (caused by mining) can be seen through cracks. The mining companies argue that a development benefit of their presence is access to electricity — but despite living right next to a mine, no one in eMalahleni yet has electricity.⁷⁴

In 2007, Afghani politician Malala Joya spoke out against her fellow politicians as war criminals, gaining worldwide support of activists. She lost her political role, but became a role model for political dissent in her country and around the world. And in China in 2015, woman paraded through the streets in white wedding dresses streaked with

72. Remark at panel discussion, October 2015 as cited in Ben Phillips (November 2015), “People Power – What Progress on Fighting Inequality Would Look Like”, Kosmos website, <http://www.kosmosjournal.org/news/people-power-what-progress-on-fighting-inequality-would-look-like/> (last accessed April, 2016)

73. Ben Phillips (August 2013), “The women of rural India are not meek – and we do not help them when we pretend that they are,” Global Dashboard, <http://www.globaldashboard.org/2013/08/13/the-women-of-rural-india-are-not-meek-and-we-do-not-help-them-when-we-pretend-that-they-are/> (last accessed April 2016)

74. Ben Phillips (November 2015) “Life in a Town Called Coal”, Global Dashboard, <http://www.globaldashboard.org/2015/11/17/life-in-a-town-called-coal/> (Last accessed April 2016).

blood to raise awareness of violence against women, and also ran a campaign to occupy men's toilets, highlighting the lack of public facilities for women.⁷⁵ In 1975 in Iceland, 90% of the country's women went on strike for a day. They didn't go to their jobs, and they also did no cooking, cleaning, childcare etc. Thirty years later, Iceland is one of the world's most gender equal countries.⁷⁶ The Everyday Sexism project spans the globe, a website where women from each continent record experiences of discrimination in their lives.⁷⁷

In response to the global financial crisis of 2008 came the widespread 'Occupy' protests against the domination of the 'one percent'. Activists took to squares and open spaces in their towns and

cities and camped out. This is one face of the growing challenge to austerity policies in Europe, especially in less economically powerful European countries such as Portugal and Greece. In 1999, farmers from developing and developed countries, unions and activists came together in a mass protest in Seattle, USA, against new global trade and investment rules in favour of the richest, setting a militant tone for 'anti-globalisation' activism in the first decade of the new century. And the movement against climate change is gathering pace, with a global movement to divest from fossil fuel companies, and over 785,000 people around the world in 175 countries, marching on 29 November 2015 for action on climate change.⁷⁸

BOX 5: The labour movement

Probably the oldest, most successful and most important social movement fighting inequality is the labour movement. Unions have been around since the beginning of industrialisation, and governments and company owners have often clamped down on them, sometimes resulting in the deaths of workers. Unions usually evolved with larger urban concentrations, with farmworkers' unions coming about much more recently.

Sometimes unions played a key role in the formation of political parties that fought for measures that have reduced inequality — for example in Brazil, the reforms that have reduced inequality were introduced by the Workers Party (PT), which has its roots in the CUT national labour confederation. Unions themselves have campaigned for and won minimum wages guaranteed by law, paid holidays and sick leave, the eight-hour working day, job protection, overtime pay, safety provisions, adequate breaks and sanitation facilities, and weekends off work. If not for the labor movement, the working lives of most people today would be considerably harder, and the inequality gap considerably larger. Unions have kept organising, joining hands across different economic sectors and sometimes across borders, and persevering until they won the reforms we take for granted today.

75. Tania Branigan, "Five Chinese feminists held over International Women's Day plans", The Guardian, <http://www.theguardian.com/world/2015/mar/12/five-chinese-feminists-held-international-womens-day> (last accessed April, 2016).

76. Bidisha (October 2015), "Ten direct actions by women that changed the world", The Guardian, <http://www.theguardian.com/commentis-free/2015/oct/12/women-direct-action-suffragette> (last accessed April 2016).

77. www.everydaysexism.com

78. <http://350.org/global-climate-march/>

BOX 6: Students protest for education equality

Student protests at university fees, and the heavy-handed police response to the protests, convulsed South Africa in October-November 2015 and succeeded in suspending fee hikes, while universities committed to not outsourcing workers. #Feesmustfall may have been the biggest post-Apartheid movement in South Africa. It is not yet clear if more far-reaching changes will be made, or indeed what the broader political implications will be. Fatima Shabodien, Country Director of ActionAid South Africa says, “This movement signals much more than a rejection of unaffordable education and unjust labour brokering. It is a historical moment, because it represents a rejection of the systemic factors bred by the economic framework.”^{79,80}

In 2011, students began a seven-month protest in Chile, challenging the way education had been organised since the early 1980s, and calling for free higher education for all, an end to for-profit schools and greater quality and equity in education. The attention to this single policy became a proxy for talking about Chile’s overall neoliberal economic policy. Political mobilisation had been muted by nearly 20 years of military dictatorship, making the student revolt a radical development. The students protested against government support for an education voucher system, saying it reinforced social class differences and made the achievements of Chilean education uneven, reflecting family income rather than ability. An education reform bill was passed in early 2015 that outlaws for-profit schools and emphasises better pay and training for teachers in the public system. The funds to do this are set to come from a tightening up on corporate tax dodging.⁸¹

The #FeesMustFall movement in South Africa saw women at the forefront of the struggle, demanding their right to free, quality education and an end to the outsourcing of university staff.
PHOTO: KATHERINE V. ROBINSON/ACTIONAID



79. Richard Calland (November 2016) “Student Protest Signals a Sea Change for South Africa,” *Mail & Guardian*, <http://mg.co.za/article/2015-11-06-student-protest-signals-a-sea-change-for-sa> (last accessed March 2016).

80. Fatima Shabodien (December 2015), “Time for urgent change”, <http://mg.co.za/article/2015-12-23-00-time-for-urgent-change> (last accessed April, 2016).

81. Fairfield, Tasha (2015) ‘The Political Economy of Progressive Tax Reform in Chile’ in Mahon Mahon Jr, James E., Marcelo Bergman and Cynthia Arnsen (Eds.) *Progressive Tax Reform and Equality in Latin America*. Wilson Centre, Washington, Chapter 1

“The disposition to admire, and almost to worship, the rich and the powerful, and to despise, or, at least, to neglect persons of poor and mean condition is the great and most universal cause of the corruption of our moral sentiments.” **Adam Smith (1723-1790)**

Chapter 4:

Policies that work for all: a generation shift



Clean Sweep for Tax Evasion Protest by Danish Activistas in Copenhagen, April 2016. Cleaning up the international tax system to prevent tax avoidance by the wealthy elite and companies is a key strategy to fight inequality.
PHOTO: JEPPE CARLSEN/ACTIONAID

“As long as women face violence and discrimination, our efforts to eradicate poverty, achieve equality, and advance human rights and democracy will not succeed.”

Michelle Bachelet (current President of Chile)

The mindset we explored in Chapter 2 assumes that good economic governance means that a country must maximise economic growth, shrink government services and allow foreign companies increasing space to extract resources and expand their market share. For the most part these policies have not delivered what they promised — economic growth — and when it comes to the needs of people and the planet they are worse.

Clearly a new set of policies is necessary, policies that work towards a global society where every one's rights are respected. That means prioritising

the needs of those who are disempowered by the current system over those of the privileged — women's needs over those of men, the needs of the poor over those of the rich, and so on.

In this chapter we suggest policies that would rebalance policy making and stem rising inequality. This is NOT a comprehensive manifesto for change; rather it is a taster of the kinds of policies ActionAid thinks are needed based on our experience in thousands of communities over the past 44 years. They cannot happen all at once or all in one place, because before the policies can change, the power balance and the mindset need to change first. This is not about next year or the next election; it is about the next generation.

BOX 7: Abdul Khalil Shwarnamot — living on less than a dollar a day⁸²

Khalil (60) is a farmer and lives with his wife and two daughters, who are seven and four years of age, in the rural farming village of Amirabaad in Patuakhali District, Bangladesh.

The family lives in a one-room house made of wood and tin, with electricity but no running water or toilet. He collects drinking water for the family from a water pump a quarter of a kilometer away from the house — a 30 minute trip by foot there and back, and then “we just drink it the way it is”. More water for cleaning and washing can be got from the nearby pond and from collecting rainwater.

The family cooks on an open woodfire, usually eating rice, vegetables, fish and daal (lentils), which costs about 150 taka (\$1.92) for the family of four. Khalil owns a boat, and says, “If we can buy fish we eat fish. If we can catch it we eat it. We don't always get to eat what we like... pangas fish (yellowfish catfish) is my favourite,” he says, but he only gets the chance to eat it once or twice a week.

Despite working as a farmer, Khalil's family buys most of its food as “we don't have [enough] land to grow [it] on”. He rents the land he farms for 600 taka (\$7.50) a year. To help the family get by Khalil says “sometimes I owe shop-owners for food” and borrows money from his brother or “a guy from around the neighbourhood. If I had 300 taka or 50 taka leftover [per day] that would be good.”

82. Amounts are per person

Khalil's circumstances have gotten worse in the past two years, since he has been ill. In the last year he and his family have had to visit the doctor as many as 50 times. Hospital treatment in Bangladesh should be free, but despite this Khalil and his family have had to pay as much as 150 taka (\$1.90) per visit, depending on the treatment.

This year Khalil's elder daughter started school and is now in class 1. She attends every day, "but sometimes she can't because of the rain". The family have not had to buy books but they do have to buy school uniforms: "Even if it's difficult we have to do it," he says. Khalil feels his daughter's education is good and hopes she will one day find a good job.



Niama, 35, stands in her crop field in western Somaliland where she now has access to a water for irrigation. Before this she had been forced into debt due to the lack of access to irrigation and a failed harvest. The mother-of-two had to borrow more than \$800 to pay for food and the cost of building a well in her village.

PHOTO: JENNIFER HUXTA/ACTIONAID

BOX 8: Masuma Rani — living on \$3 per day

Mosammat Masuma Begum, (often called Masuma Rani) (31), is a tailor living with her husband and 12-year-old son in Amirabaad in Patuakhali, Bangladesh. Like most in her area, Masuma and her family live in a house made of wood, tin and soil. There are between 150-200 people living nearby and the “neighbourhood is very good”.

Masuma’s house has four rooms with one bedroom which she shares with her husband and son. Their house has electricity but no running water. It takes Masuma’s husband 20 minutes to collect the family’s drinking water from the nearest water pump, and she boils it to make it safe. For washing clothes and to cook, the family collects water from the pond near their house.

Usually the family eats rice, daal and fish, which Masuma cooks on a woodfire in their house; cooking can take between 1 and 1 ½ hours. One of Masuma’s favourite dishes is Biryani which, in a year, she has “maybe three, four times... if I can afford it I buy it”.

In the winter months Masuma can earn as much as 15,000 taka (\$189 USD) per month; her husband earns about 5,000 taka (\$63) a month. The family doesn’t have a radio, a television or a fridge, but her husband has a mobile phone, and they also have a scooter. Masuma says, “our financial situation isn’t great but it’s not that bad”.

For the fee of 200 taka per month (\$2.52) Masuma’s son attends school. The school fees also pay for her son’s books, but to help keep costs down “I make his uniform myself”. His class has 10 students and the building is safe but “it could be a bit nicer, it’s made from tin”. Once he finishes class 6 this year, “I am going to admit him to a big boy’s school,” she says.

The nearest doctor’s surgery is 20 minutes away by auto-rickshaw and in the last year Masuma has been to the doctor’s about 16 times. Free medical treatment is not available but “if you give them 20, 30 or 50 taka you can get the good medicine”. Once or twice each month her son misses school “when he gets a headache or the flu”.

Masuma’s situation hasn’t changed over the past two years, but in the past year she has taken a loan of 1 Lakh (100,000 taka) (approximately \$1,259 USD). In the next two years she says they hope to be better off, “if I can buy two acres of land my life will be prosperous”.

Where Masuma lives, she feels that the class divide “is not right”. “If only the rich helped the poor in a small capacity. If only we could all help each other out so that there isn’t one group who are able to eat and another group who can’t afford to feed themselves, then it would be good... If I think about it, it makes me feel bad. Someone having a higher status than you... wouldn’t it make you feel bad?”

How much redistribution do we need?

Eliminating income poverty, at the modest definition of US\$2 a day, may not take much policy change. A recent study looked at a range of scenarios, using data from the past 30 years to see what might be possible.⁸³ With a redistribution of \$200 billion out of the \$15 trillion of additional consumption growth generated in the past 30 years, \$2 a day

poverty would have been history in 2012. This means that the richest group in the study (those living on more than \$30 a day), would only have had to give up a tiny fraction of the additional growth in consumption they accrued during this period.

But life just above the poverty line of \$2 a day still looks grim, as the stories in this report show. The

83. Peter Edward and Andy Sumner (2015) “Philanthropy, Welfare Capitalism, or Radically Different Global Economic Model: What Would It Take to End Global Poverty within a Generation Based on Historical Growth Patterns?” CGD Working Paper 413. Washington, DC: Center for Global Development.

poverty threshold of \$4 a day is closer to what we could consider a decent life — and is the median national poverty line for all low-income countries. To lift everyone above \$4 a day would have taken around \$1.6 trillion, and require larger scale redistributions from rich to poor, via a form of enhanced global social welfare. The richest group would still have seen their consumption growth increase twice as much as the consumption of the income group just below them, those whose income is between \$10 and \$30 a day. There are 50 countries which could have done so using only domestic resources; the rest would have needed some kind of transnational wealth transfer.

Yet, despite the fact that the world would definitely be a much better place if we were to eradicate \$4 a day poverty, \$4 a day is still not enough to ensure that everyone has access to their basic human rights. So what would it take to set the bar at \$10 a day? There are two ways to make that happen according to the study. Either all growth that the richest group has accrued in the past two decades and some of the growth of the second richest group would have to go to the poorest, or else consumption patterns would have to return to where they were in the 1990s. That would involve serious adjustments to today's economy.

BOX 9: Life at the top

Between 2010 and 2013, Carlos Slim of Mexico was ranked as the richest person in the world, and he remains in the top 10. The vast majority of Slim's fortune is derived from his purchase of government assets during a series of financial crises in the 1980s and 1990s. Critics allege that he unfairly benefitted from his closeness to the military regime that then controlled Mexico and that the government assets were grossly undervalued. His net worth is estimated at over \$70 billion, enough money to buy a B-52 bomber and still have enough money left over for more than 100 million iPads.

One 2014 exposé⁸⁴ in the UK's *Daily Telegraph* newspaper paints a picture of a friendly enough middle-aged man who drives his own car and loves to collect and appreciate art. If it weren't for the casual references to celebrities and castles, one might almost think it was about a much less wealthy man. But in many ways that is the point. Carlos Slim doesn't need all of his billions to live a lifestyle that 99% of the world's population can only imagine. He has accumulated that much wealth through a system that rewards monopolies, takeovers of struggling companies and making bets in the casino of global financial markets. Changing that system might mean downsizing the hyper-rich to "only" super-rich status, and that wouldn't make that much personal difference in the lives of people like Carlos Slim. It would mean a whole lot to those who live on \$2-\$10 per day.

Learning from the history of developed countries

In his seminal book *Bad Samaritans*, Cambridge University economist Ha-Joon Chang goes through the development history of every industrialised country. His key findings include the following:

- countries that develop are those that invest in a manufacturing strategy coupled with

a strategy for creating more and better jobs; countries that don't develop are those that remain as producers of raw materials.

- trade liberalisation primarily benefits companies that are already competitive in international markets (i.e. in developed countries); developing countries should instead support research, development and upgrading their own economic sectors before considering opening a sector up.

84. Harriet Alexander (2011) "At home with the world's richest man", *The Telegraph*, <http://www.telegraph.co.uk/finance/8335604/Carlos-Slim-At-home-with-the-worlds-richest-man.html> (last accessed April, 2016).

- funding development should be the business of public development banks and well-regulated private banks.
- Developing countries should not allow patents and intellectual property rights to obstruct their development paths – just as many now-developed countries did not.
- foreign investors should not be able to ‘parachute’ in and out of a country; instead they should be incentivised to transfer technology and build up domestic companies.

While all countries are different, it will be essential for developing countries to learn from these experiences to inform new development strategies, even where this means renegotiating current commitments under WTO rules or in free trade agreements or bilateral investment treaties, or following domestically led development strategies rather than conventional IMF advice. This would require that CSOs and unions step up engagement with governments and domestic firms to negotiate support for domestic firms, and give less priority to support for foreign companies.

There was a time when developed countries reduced inequality effectively. This period — roughly from the end of World War II until the late 1970s — saw the rise of labour unions, standardisation of relatively high minimum wages, and high taxes on the rich. Some of the key lessons from that time include:

- **Government spending works.** High government spending — even deficit spending — was the key in ending the Great Depression of the 1930s and continued in the post-war era. This is a lesson that the IMF might have actually learned (far too late) as it acknowledges that austerity has done a lot of damage in countries like Greece.
- **Taxing the super-rich works.** From 1944 until 1964, the US population paid more than

90% of income earned above a certain level (\$2.43 million in today’s dollars) in tax.⁸⁵

- **Financial markets need to be regulated.** The period between the end of World War II and the 1970s was one of relative financial stability brought about by tight controls on financial markets. The frequency of financial crises has doubled in the period since 1973, when regulations were relaxed, as compared to 1945 to 1971.⁸⁶
- **Governments must spend on public services.** Increased tax revenue in the period between World War II and the 1970s allowed for increased investment on health, education and public transport.
- **Workers need a seat at the table.** This period saw an increased role for labour unions in enterprise, and in countries like Germany that have maintained this role, inequality is lower than in many others.

Economic policy must prioritise the well-being of people and society as a whole. New movements are recognising this, whether through exploration of the ‘solidarity economy’,⁸⁷ ‘buen vivir’⁸⁸ or a global happiness index.⁸⁹ For ActionAid, some of the key steps towards this new approach include testing all policies for their gender impact, and adjusting them to ensure they promote the needs of women and of minority communities such as LGBTIQI. Carbon reduction targets must be sufficient and backed up by realistic plans. The continued use of measures such as gross domestic product to measure economic progress must end, as it is now clear that growth does not automatically represent progress for the most vulnerable. Indeed, growth itself must be approached with more care if we are serious about combating climate change. Economic progress should instead be measured by increases in high-quality employment, fair distribution of resources, and quality of life in an era in which consumption must be brought under control.

85. Elliott Brownlee (2004) *Federal Taxation in America: A Short History*. Cambridge: Cambridge University Press (second edition).

86. Seppo Honkapohja (2009) “Financial crises: characteristics and crisis management,” ASTIN 2009 Colloquium, Helsinki, <http://www.actuar-ies.org/ASTIN/Colloquia/Helsinki/Presentations/Honkapohja.pdf> (last accessed March 2016).

87. See UNRISD (2012) “Potential and Limits of Social and Solidarity Economy,” UN Research Institute for Social Development, <http://www.unrisd.org/sse> (last accessed April 2016).

88. Oliver Balch (February 2013) “Buen vivir: the social philosophy inspiring movements in South America,” *The Guardian*, <http://www.theguardian.com/sustainable-business/blog/buen-vivir-philosophy-south-america-eduardo-gudynas> (last accessed March, 2016).

89. See <http://worldhappiness.report/>



A woman has a bath in the open space under her rental house in the slum area in Phnom Penh, Cambodia. The city is facing a problem with violence against women and girls in public spaces linked to a lack of infrastructure and public services that respond to the needs of women.
PHOTO: CHARLES FOX/ACTIONAID

Ingredients of economic policies that ultimately serve all

- **Investing in public services.** The single most important way to ensure women enjoy their rights (and make unpaid care work more manageable) is to build **health, education, early childhood services, and social protection safety nets** that are responsive to their needs. This policy is a win-win that benefits everyone. The World Bank, the UN and many other organisations agree that expanding public services would decrease inequalities, and a wide range of development organisations are calling for universal access to quality public services.
- **Ensuring that poor communities — especially women in poor communities — have access to and control over land.** Land reform, the prevention of land grabs, and ensuring women’s rights to land would vastly reduce inequality in most developing countries. At the global level, a good start was made in 2012 with global agreement at the Committee on World Food Security (CFS) on

the Voluntary Tenure Guidelines, which would go a long way toward halting land grabs that dispossess small agricultural producers. The Food and Agriculture Organization (FAO) and other UN food agencies are leading the charge on this, with the strong support of many CSOs through the Civil Society Mechanism (CSM).

- **Using fiscal and monetary stimulus to get the economy going.** Government spending on public projects, as well as generating benefits from the projects themselves, can create jobs for women and men that put money in their pockets and enable them to provide a market for products produced by the private sector. This is especially important during economic recessions or financial crises, and many developing countries have been in a de facto state of recession (or jobless growth) for the past 30 years. There is now a broad consensus across among economists that stimulus can be beneficial, and think tanks such as the Center for Economic and Policy Research are pushing hard for developing and developed countries to adopt these policies.

- **Restructuring tax policies.** At the moment, companies can exploit loopholes and tax treaties to pay very little on profits earned in developing countries. And both developing and developed countries can use harmful tax incentives to pad companies' bottom lines at the expense of the average tax payer. Domestic and international tax policies should be restructured to ensure that big corporations and the rich pay their fair share and that revenues collected are spent on ensuring universal access to quality public services. NGOs such as ActionAid have been pushing hard on tax reform for a number of years and a recent African Union report indicates that Africa alone loses over \$50 billion a year in illicit financial flows, more than half of which is lost tax revenue.⁹⁰ So illicit financial flows amount to about double the amount that Africa receives in official development assistance (aid) from rich countries.⁹¹
- **Adopting a living wage** would go some way towards addressing the gender pay gap.
- **Strengthening labour unions** is the best way to ensure decent working conditions that are also compatible with a decent quality of life for women and men.
- **Being brave enough to take on the banks.** The global financial sector has too much power and takes up too much of the economic space, leaving less room for areas of the economy that would create more and better jobs. One proposal that has gained some momentum in the EU is a financial transaction tax, which could simultaneously slow down the rapid trading mechanisms and raise substantial sums for social spending and development. New proposals for banking deregulation — despite the lessons of the global crisis starting in 2008 — must still be fought. Any new financial regulation should oblige investors to

take into account environmental, social and governance criteria in their decisions, not just profit. Investments must serve the causes of climate and social justice.

- **Short-term policies that would lead to a long-term rebalancing of power.** The kinds of policies described above would begin to reverse the inequality trend, so that we would be moving towards greater gender and economic equality. But as noted, they won't happen unless further policies ensure that power is rebalanced — or, as writer and economist Thomas Piketty puts it, democracy regains control over capitalism and ensures that the general interest takes precedence over private interests.⁹²

Rebalancing power might mean that governments adopt some of the following kinds of policies:

1) Institute a wealth tax

Inequality of wealth is the starkest inequality of all, and the hoarding of wealth by a few people reduces economic dynamism. This could be redressed through taxation. There are many types of wealth tax, and most countries levy one kind or another — on property, on land, on inheritance and on financial instruments.

Wealth taxes could bring in much revenue as well. Recent ActionAid calculations estimate that a 5% tax globally on individuals' wealth over \$1 million would generate \$5.795 trillion. A real world tax would not be so straightforward, but this gives an idea of the magnitude of funds at stake.

2) Recognise, redistribute and reduce women's unpaid care burden

National governments should measure time-use and incorporate statistics on unpaid care work into national accounting systems. Implementing policies such as maternity and paternity leave,

90. AU/ECA Conference of Ministers of Finance, Planning and Economic Development (2015), "Track it, stop it, get it! Report of the High Level Panel on Illicit Financial Flows", http://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf (last accessed April 2016).

91. OECD (2014) "Aid to developing countries rebounds in 2013 to reach an all-time high", OECD website, <http://www.oecd.org/newsroom/aid-to-developing-countries-rebounds-in-2013-to-reach-an-all-time-high.htm> (last accessed April 2016).

92. Thomas Piketty (2014), *Capital in the 21st Century*, transl. Arthur Goldhammer, Cambridge, MA: The Belknap Press of the Harvard University Press

providing quality public care services and eliminating gender wage gaps would all help to redistribute the burden of care work. Finally, investing in time and labour-saving technologies could substantially reduce the time devoted to unpaid care work.

3) Increase corporate democracy — structural shifts towards employee control of companies

At the moment, most companies are structured to the benefit of either their private owners or shareholders, who are their investors. Greater equity would be achieved via a structural shift towards greater employee control of companies. This is seen in many enterprises throughout the developing world, as well as, for example, in the ownership of Spanish football club Athletic de Bilbao, and the large UK retailer John Lewis. In many European companies, unions by law must have a certain percentage of the voting share or board members in a company.

4) Institute a maximum wage

With the global financial crisis of 2008, the levels of compensation enjoyed by corporate executives, especially in the finance sector, became a global scandal. But they have changed very little. In the US, the pay gap between chief executives and

average workers in the respective companies, which in the 1980s hovered around a factor of 30, has risen more than ten-fold — i.e., chief executives on average earn 373 times more than their average worker. Proposals for addressing this include mandatory disclosure of company pay scales and restrictions on government contracts for companies whose ratios exceed a reasonable level.⁹³ Companies should also be forced to link the pay of senior managers to their most junior employees, so that in order to give themselves a raise they must give a raise to everyone in the company.

5) Limit private finance for political parties and political campaigns

In democracies, nothing is more important for reducing power imbalances than reducing the power of wealth in elections. In more and more countries it is mostly wealthy people who run in and win elections. Recent US Supreme Court decisions allow virtually unaccountable and unlimited spending on election campaigns. At the national level in many countries, wealthy individuals have disproportionate influence, subverting democracy. Full disclosure and accountability for political money is a starting point, but moving away from private financing of campaigns is necessary to restore the integrity of elections.

BOX 10: Creating a market

In 1914, US entrepreneur Henry Ford suddenly raised his workers' salaries to \$5 dollars a day (\$120 today); for many this was a raise of more than 100%. This reduced employee turnover, and training and absentee costs. But more importantly it enabled Ford workers to buy the cars they were manufacturing. The combination of assembly-line mass production, inexpensive products and a living wage has become known as 'Fordism', and is credited with lifting much of the working class in the United States into the middle class. The Ford legend remains a cornerstone of business schools, though Fordism had its own issues (sexism and paternalism chief among them). It should also be remembered that much of the positive side of Fordism was lost when Henry Ford lost a case against one of his shareholders. That case, *Dodge v. Ford*, set a dangerous precedent — that the only legitimate business of a corporation is profit maximisation.

The post-World War II Marshall Plan, the grant programme through which the US helped revive economies devastated by war, was superficially a noble sharing of resources by the world's least-scathed developed country — but it was also an effort to develop markets in order to be able to sell a huge surplus of US goods.

93. For more details see the Institute for Policy Studies' "Executive Pay Reform Scorecard": <http://inequality.org/wp-content/uploads/2014/08/Executive-pay-reform-scorecard.pdf?e1cc36>.



Jumanne Salum Waziri is the Secretary of Mkombozi, a local NGO working on children's rights in Tanzania. He makes the link between access to land, secure livelihoods and children's rights in his work.
PHOTO: ADAM WOODHAMS/ACTIONAID

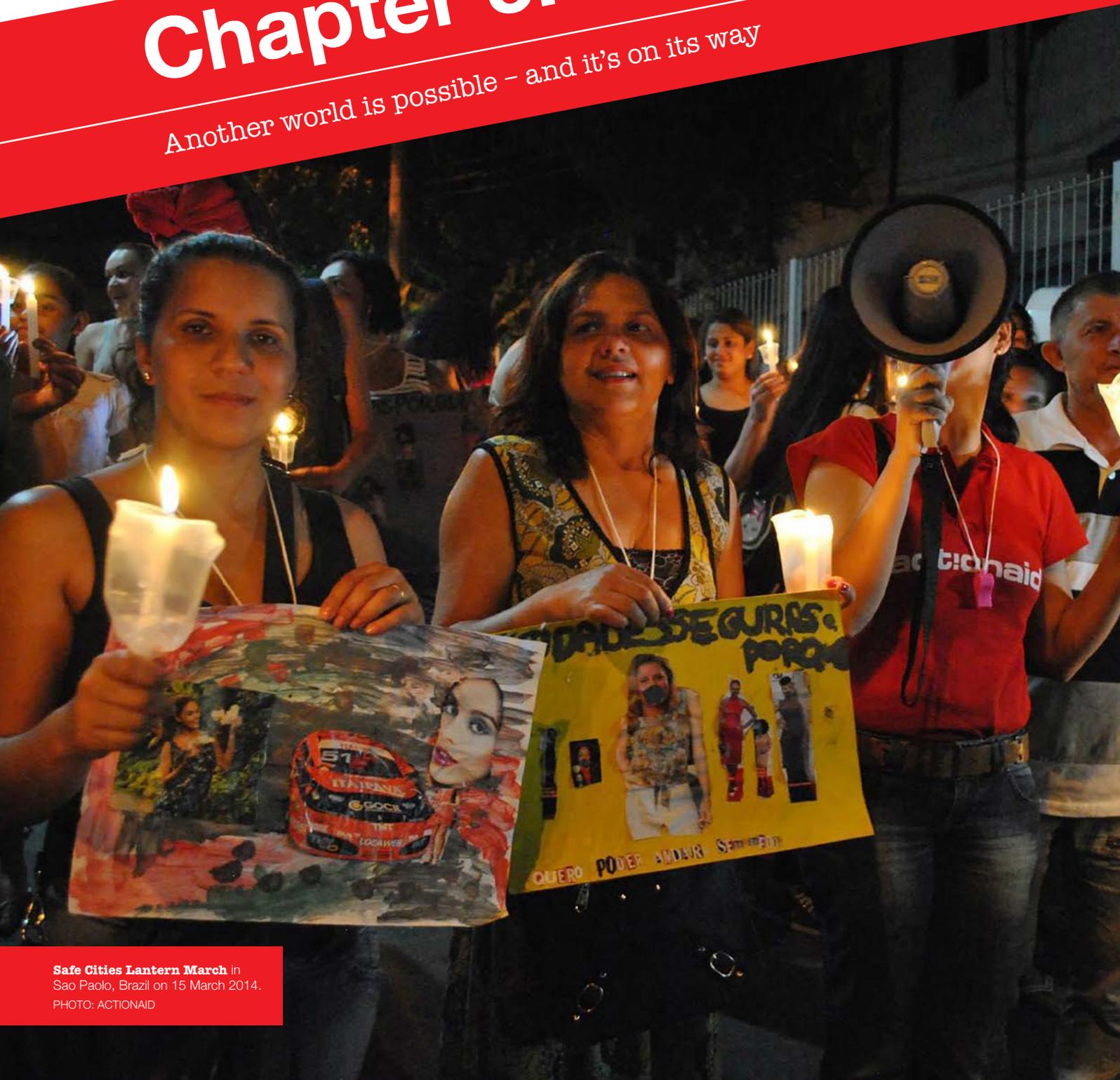


Raji and Gangala Korlama buy fish with other fisherwomen on the beach in Andhra Pradesh, India. Through support from Action Aid partner DFYWA she has established herself as a leader of the community of fish vendors.
PHOTO: POULOMI BASU/ACTIONAID

“Another world is not only possible, she is on her way. On a quiet day, I can hear her breathing.” **Novelist and campaigner Arundhati Roy**

Chapter 5:

Another world is possible – and it's on its way



It is clear that change on the scale advocated in this report will be difficult, that it will take years, and that it will meet resistance from the powerful. But it's also clear that there is reason for hope. Victories are being achieved. We've seen glimpses of what is possible, of what progress in the fight against inequality already looks like: progress in the fight against inequality will not look like lots of international meetings — it will look like lots of local mobilisations, connected across the world.

Local struggles are already being won, or have been recently. In some places, inequality-busting policies are already in place. In the past, inequality has been decreased on a big scale, often through popular struggles that have been fought and won.

Many struggles, many wins

In Brazil, land distribution is highly unequal. Over two decades, 370,000 families in the Brazilian Landless Peasants' Movement have occupied land that they now farm; they have won over 7.5 million hectares of land in this way, an area the size of Panama.

Jubilee Ecuador led a people's movement to push for an audit of illegitimate foreign debt; when President Raphael Correa came to power he was able as a result to suspend interest payments and reduce the face value of the debt by two thirds. A new constitution that protects against future

excessive debt and prohibits private bank bailout was also approved.

After the Rana Plaza tragedy in Bangladesh, in which over 1,000 women and men died in a factory collapse, unions in Bangladesh and globally led a campaign supported by over a million people that resulted in the new Bangladesh Safety Accord.

In 1999, mass protests in Cochabamba, Bolivia reversed a privatisation of water provision which hiked rates on the poor and forbade residents to collect rainwater. Many other municipalities around the world, such as Dar es Salaam, Tanzania, have since replicated Cochabamba's success.⁹⁴

And there are many more. The successful halting of a Swedish company's sugar plantation in Tanzania that would have left thousands of farmers landless, the ending of VAT on wheat products including bread in Zambia, the resignation of the President of Guatemala after protests against corruption, the expansion of primary education across Africa, developing countries insisting that compensation for loss and damage be part of the deal on climate change.

More recently, a surprise paradigm shift in the developed world has been around the rights of LGBTIQ communities, with equal marriage being legislated with amazing speed in states such as Ireland, where such a thing would have been unthinkable even a few years ago.

Inequality-busting policies are taking root around the world

The kinds of policies that might reduce inequality exist in many places.

94. The economic justice project (2014), "The Austerity Machine", Jubilee Debt Coalition website, <http://jubileedebt.org.uk/wp-content/uploads/2014/02/JDC-austerity-machine-WEB.pdf> (last accessed April, 2016).

Latin America is particularly interesting in this respect. It has long been known for higher levels of inequality than other regions of the world — inequality that rose further during the 1980s and 1990s. Yet between 2000 and 2010 the trend reversed, and inequality lessened in the majority of Latin American countries.⁹⁵ Between 2000 and 2011 it fell by 5% in Chile, 6% in Brazil, 7% in Mexico and 9% in Argentina.⁹⁶ Throughout the region new, progressive government transfer programmes for those without formal employment began. These new forms of social protection usually target families with children, and require school attendance and health visits. Since the financial crises at the end of the 1990s, an expanded role for governments in managing the social effects of the economy has over time solidified into a ‘new normal’. Over the past decade the tax base in the region has also expanded significantly, on average by around 30%,⁹⁷ with some countries increasing it by over 60%, for example Argentina, Bolivia, Colombia, Ecuador and Nicaragua.⁹⁸ Tax reforms have not always been progressive, with VAT being the main source of tax revenue, but the social spending financed has reduced inequality.

In **Brazil**, perhaps the most famous example, world-leading social protection policies have had marked success — yet wealth inequality remains. In **Argentina**, the government relaxed restrictions on labour unions, revived collective bargaining, and created employment policy from scratch,

including through public investment in infrastructure such as roads and housing.⁹⁹ In spite of spectacular economic growth from 2003 to 2008 averaging over 8% per year, and concerted efforts to expand the base of tax-paying enterprises, poverty remained stubbornly high. The government’s response in 2009 was to introduce a child benefit targeting poor and informal workers and to expand provision of non-contributory pensions for older people. The UN Economic Commission for Latin American and the Caribbean (ECLAC) estimates that Argentina had the highest social expenditure per capita in the region going into 2015.¹⁰⁰ Of course, much of this is likely to change with the recent election of a conservative government.

Colombia, in response to a potential budget shortfall in 2015, has levied a wealth tax and a financial tax, including a 12% tax (up from 9%) on corporate profits above \$493,000, and an extension a wealth tax on individual’s assets above the same level, and a bank charge paid of every transaction.¹⁰¹ Large businesses vigorously protested against the new law and won a pledge that the new rates will only run until 2018.¹⁰² At the same time, new tax evasion measures were agreed, including disclosure agreements with other countries and jail terms for those found guilty.¹⁰³ In **Ecuador** (with the largest fall in inequality) the revenue from the state oil company is invested in education and health, as well as employees getting a share of profits.¹⁰⁴

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95. Lustig, Nora, Luis F. Lopez-Calva and Eduardo Ortiz-Juarez, 2012. “Declining Inequality in Latin America in the 2000s: The Cases of Argentina, Brazil, and Mexico,” Working Papers 1218, Tulane University, Department of Economics.
96. AB Atkinson (2015) *Inequality – what can be done?* London: Harvard University Press, p 78.
97. The Economist (2014) “Burden Sharing”, <http://www.economist.com/blogs/americasview/2014/01/tax-latin-america> (last accessed April 2016).
98. Gómez Sabaini, Juan Carlos and Juan Pablo Jiménez (2012) *Tax structure and tax evasion in Latin America*. Serie Macroeconomía del desarrollo Number 118. CEPAL/United Nations, Chile.
99. For an extended analysis of the spending on infrastructure and housing in Argentina, see Cetrángolo, Oscar, Juan Carlos Gómez Sabaini and Dalmiro Morán (2015) *Argentina: reformas fiscales, crecimiento e inversión (2000-2014)*. Serie Macroeconomía del Desarrollo. CEPAL, Santiago de Chile.
100. “**La CEPAL destaca a la Argentina como el país con más inversión social per cápita en América Latina**”, Official website of Christina Kirchner, <http://www.cfkargentina.com/la-cepal-destaca-a-la-argentina-como-el-pais-con-mas-inversion-social-per-capita-en-america-latina/> (last accessed April 2016).
101. HELEN MURPHY AND NELSON BOCANEGRA (2014), “Colombia’s tax reform seen lacking as social spending rises”, Reuters, <http://uk.reuters.com/article/2014/10/08/colombia-economy-idUKL2N0S12EW20141008> (last accessed April 2016).
102. David Wing (2014), “**Colombia wealth tax only temporary, govt proposes in response to employers’ concerns**”, Colombia Reports website, <http://colombiareports.com/colombia-wealth-tax-temporary-govt-proposes-response-employers-concerns/> (last accessed April 2016).
103. Samuel Moldovan (2014), “**Breaking down Colombia’s tax reform and new wealth tax**”, Colombia reports website, <http://colombiareports.com/breaking-colombias-progressive-tax-overhaul/> (last accessed April 2016).
104. For a detailed study using household income data, see Llerena Pinto, Freddy Paúl, M. Cristhina Llerena Pinto, M. Andrea Llerena Pinto, Roberto Saá (February 2015) *Social spending, taxes and income redistribution in Ecuador*. CEQ Working Paper No. 28, Commitment To Equity, Tulane University.



Margarita Osorio represents the case of communities affected by contamination of La Pasion River by a Palm Oil company in Guatemala at ICHR (CIDH) in July, 2015. PHOTO: CIDH/ACTIONAID

There are also many examples in other regions of the world, large-scale and small. **Egypt**, despite its intense human rights problems today, has a cash transfer scheme that recognises women's unpaid care work.¹⁰⁵ Women are paid for time spent taking their children to school or for visits to health clinics (the conditions of the programme), and payments are transferred into the women's bank accounts. As a result, more women could seek jobs, and domestic violence dropped as families' finances eased. The scheme was initially piloted in one area of Cairo, but is now being expanded, aiming to cover half a million families. **India's** Mahatma Gandhi National Rural Employment Guarantee Act (NREGA) guarantees the right of rural households to a minimum of 100 days of work per year at the national minimum wage.¹⁰⁶ NREGA was the first legislation of its kind in the

world. As a result, job creation increased from less than 1 billion workdays for 20 million households in 2006/07, to about 2.5 billion workdays for 50 million households each year from 2010 to 2014.¹⁰⁷ More than half of those who have benefited under NREGA have been women, and women have seen an increase in income and an increased say in household decision-making. In addition, 71% of women now have a bank account in their name, up from 30%.¹⁰⁸ **Morocco** has a gender responsive budgeting (GRB) initiative, aiming to ensure that public spending benefits women and men equally.¹⁰⁹ More than 80% of the country's overall budget was subject to scrutiny in 2012. **Sweden** was the first country to introduce paid parental leave to new fathers — the country has high female labour force participation rates.¹¹⁰

105. UN Women, 2015.

106. Since 2014 the programme size has shrunk, 1. Sanchez M., Julca A. and Winkel J. *Social policies during the MDG period: Lessons and implications for post-2015*. United Nations Department of Economic and Social Affairs – Development Policy and Analysis Division. New York: January 2015. <https://wess.un.org/wp-content/uploads/2015/02/WESS-2015-BP-Social-Policies-24-02-15-unedited.pdf>; UNDP-International Policy Centre for Inclusive Growth. March 2014. *Policy in Focus: Protagonist Women*. Brazil: IPC. <http://www.ipc-undp.org/pub/IPCPovertyInFocus27.pdf>

107. Swati Mathur and Sruti Nair (2015) "UNDP calls MGNREGS best job guarantee plan for rural poor", Economic Times, http://articles.economic-times.indiatimes.com/2015-12-16/news/69090762_1_undp-report-mgnregs-rural-employment-guarantee-scheme (last accessed April 2016)

108. Swati Narayan (February 2016), "Half Full, Half Empty: 10 Years of NREGA", India Spend website, <http://www.indiaspend.com/cover-story/half-full-half-empty-10-years-of-nrega-80147> (last accessed April 2016).

109. UN Women (2014) "Morocco's successful case in implementing gender responsive budgets," <http://gender-financing.unwomen.org/en/highlights/gender-responsive-budgets-case-of-morocco> (last accessed April 2016); and UN Women (2015)

110. Sweden official website (2015), "10 Things that make Sweden family friendly", <https://sweden.se/society/10-things-that-make-sweden-family-friendly/> (Last accessed April 2016); Duvander, Ferrarini and Thalberg S. (2005) "Swedish parental leave and gender equality: Achievements and reform challenges in a European perspective", Institute for Future Studies website, <http://www.iffs.se/wp-content/uploads/2011/01/20051201134956filU8YJLRAaC7u4FV7gUmy.pdf> (last accessed March 2016).

BOX 11: Progress in reducing inequality in Brazil...

In 2003 Brazil chose a progressive government that put the reduction of poverty and inequality top of its agenda. More than 40 million Brazilians rose out of poverty, extreme poverty was reduced from 8.3% to 1.1% and income inequality was significantly reduced, from 59 Gini points in 2002 to 50 in 2013. In 2003 the richest 1% earned in a month the same as the poorest 10% earned in 15 years — by 2013 this difference had reduced to nine years. There was a decrease in income inequality in terms of gender and race, although it continues to be higher in rural than urban areas.

This progress was made possible by a multidimensional project: economic (strong growth), political (deepening of democratic participation) and social (social protection, income distribution policies and increased provision of basic services such as clean water). The government promoted economic changes that favoured the most impoverished sectors: raising the general level of employment, formalising jobs, increasing wages and ensuring widespread access to credit. Brazil also runs a pioneering social protection programme, the Bolsa Familia, in which the government provides money to poor people. One in four Brazilians receives income from the programme, and it is responsible for about a quarter of the poverty reduction the country has seen. For the first time a developing country has tackled universal social protection, and other countries are now following suit.¹¹¹

Government policy also ensured that Brazil's real minimum wage increased by more than three quarters between 2003 and 2014,¹¹² and this has contributed to a 66% decline in inequality between 2000 and 2008.¹¹³ Since 2011, legislation has mandated an annual increase in the minimum wage in line with growth and inflation,¹¹⁴ improving working conditions for less-skilled workers, reducing the gender pay gap and creating 18 million new jobs. In the rural areas, agricultural credit was increased by 400% and a new procurement policy made it compulsory for public schools to buy at least 30% of the food required for the schools' feeding programme from small farmers' produce, creating a vast institutional market for the farmers with predictable prices and diverse demand.

But there was and is strong resistance from the elites and upper middle classes. Even as social programmes push inequality down, unbalanced interest and tax policies continue to push in the opposite direction. While the cash transfer programmes that benefit millions of people in poverty account for less than 0.5% of national GDP, the Brazilian government has also raised interest rates as part of the compromise that allowed them to implement these programs. That increase in key interest rates creates annual transfers of between 5% and 8% of the GDP to only 20,000 Brazilian families who effectively hold the national debt.¹¹⁵ So even when the poor win, the rich don't lose.

But this progress has not been enough to tackle deeper, underlying inequalities in the country. Brazil was built on inequality. The country is heir to four centuries of slavery, with the power of ruling elites ensuring unequal distribution of income and wealth through colony, empire and slavery. The country has also experienced different patterns of economic development: the export of primary goods (wood, sugar, gold, coffee, rubber) until the early 20th century; industrial development from 1930 to 1980; and since 1981, under neoliberal policies, a return to the primary export model (mineral and agricultural commodities). These cycles changed only the sources of wealth, while keeping almost intact the intense concentration of income and wealth in the hands of a few.

111. Camila Nobrega (2013), "Bolsa-Família: template for poverty reduction or recipe for dependency?" The Guardian website, <http://www.theguardian.com/global-development-professionals-network/2013/nov/05/bolsa-familia-brazil-cash-transfer-system> (last accessed April 2016).

112. Weisbrot, Johnston and Lefebvre (2014) *The Brazilian Economy in Transition: Macroeconomic Policy, Labor and Inequality* Center for Economic and Policy Research <http://www.cepr.net/documents/brazil-2014-09.pdf>

113. UN Women, 2015

114. Wage Indicator website, "Minimum Wage in Brazil – Frequently Asked Questions" <http://www.wageindicator.org/main/salary/minimum-wage/brazil/brazil-minimum-wage-faqs> (last accessed March 2016).

115. Marcio Pochmann (2015) "Desigualdade Económica no Brasil", São Paulo: Idéias & Letras.



The Safe Cities for Women Campaign successfully advocated for LED lighting in the streets of Heliópolis slum in Brazil to reduce incidences of violence against women after dark. women after dark.
PHOTO: GLAUCE ARZULE/ACTIONAID

Despite advances in recent years in terms of reducing income inequality, the Gini index of property ownership has increased, from 0.78 in 2000 to 0.820 in 2014. Just 5,000 extended families control 45% of income and wealth. Brazil is ranked 7th in the concentration of dollar millionaires.¹¹⁶

The reason for the persistence of this distributive distortion is concentration of power. The country has failed to carry out sufficient land reform and thus half of Brazil's rural territory belongs to just 40,000 landowners. In Brazil, everyone knows that land is power. Although today more than 80% of the population is urban, 53% of National Congress deputies champion agrarian interests.

The lack of tax reform means that employees contribute 40% of their income in taxes, while there is no taxation on inheritances or large fortunes. In 2003, there was no increased progressiveness in tax collection to go hand in hand with social welfare reforms. Social policies do not guarantee quality access to public services for everyone.

The government failed to mobilise its social base and build lasting political alliances to confront the plutocrats that hold power and wealth, and thus could not promote the structural reforms needed to reverse economic inequalities for good. The impasse is fuelling a conservative reaction by the elites, increasing the risk of backlash against the accomplishments made in reducing inequality.

Reducing inequality on a large scale has strong precedents

As discussed above, the decades following World War II saw income inequality fall by somewhere between 4-10% in many European countries, when the post-war social settlement explicitly aimed to reduce inequality.¹¹⁷

The period from 1945 to 1975 was an exceptional one, as Thomas Piketty notes:¹¹⁸ a time when the global powers adopted a set of rules and arrangements that encouraged a rising standard of living for the working and middle classes, and the prerogatives of the finance sector and wealthy investors were kept in check through strong regulations and

116. Credit Suisse, Global Wealth Report, 2014.

117. AB Atkinson, 2015.

118. Thomas Piketty, 2014.

higher taxes for the rich. During this period, a broad consensus emerged among the elites that the excesses of capitalism needed to be curtailed in order to prevent the economic and social misery that had fueled both fascist movements and socialist revolutions. This consensus led governments to take concrete steps towards better systems for redistributing income.¹¹⁹ The result was a sustained period of high GDP growth rates, a rise in incomes, living standards unparalleled in global economic history — and a fall in inequality. During this time the success of European welfare states to evolve out of royalist and oligarchic systems demonstrates that a gradual shift towards greater equality is possible.

But starting in the late 1970s, there was a marked shift away from these policies, as free-market economics won more political support in some key wealthy countries, which then successfully promulgated the free-market model onto the global agenda, using the IMF and developing country debt crises as a way to leverage policy changes that opened up much more of the world to business interests from wealthy countries. This period of globalisation also included a sharp move away from progressive tax systems where the rich pay a higher tax rate than the poor. Indeed the world has spent the last 30 years largely ignoring the lessons of the preceding period, with a constructed belief that free-market capitalism is the natural economic order widely held.

History shows us the way

People power is how women won the right to vote around the world — another previously unthinkable change. On 18 November 1910, thousands of women in the UK marched on parliament to demand the right to vote, and following a campaign of mass civil disobedience, they won it eight years later. Women can now vote in the vast majority of

countries, equally with men. The struggle against apartheid in South Africa seemed impossible and unwinnable for decades. A few decades earlier, Indian independence was won via the non-violent actions of many Indians.

Going back even further, there was a time the slave trade seemed here to stay. People in power insisted that ending slavery would mean certain economic ruin, and its end seemed impossible for decades. The great 18th century anti-slavery campaigner William Wilberforce was once asked why he kept on fighting for what seemed to so many to be an unwinnable cause. “We are too young to realise that certain things are impossible,” he replied, “so we will do them anyway.” Now, of course, it is the notion of basing our economy on slaves that is unthinkable.

It is clear, then, that the concentration of wealth and power we see today must be challenged if we are to see any lasting progress in economic development or in democracy. The alternative is economies being run for the benefit of a select few, with the vast majority laboring for scraps. It is also clear that it has been done before: it is not at all impossible to reclaim power and create political and economic systems that have justice at their heart. But this demands not only recognition of the problems, and intelligent policy alternatives, but also broad and deep popular mobilisation. The Sustainable Development Goals approved at the United Nations in 2015, which include a specific goal on curtailing inequality, embody both the recognition of the current problems and the beginning of sensible policy alternatives.

But there is every reason to be concerned that commitments made by governments will mean little in the face of deficient political systems, controlled by a handful of elites, from which those governments have emerged. Our challenge is to create a global movement to force governments to

119. While there are many books that details this time, a condensed account can be found at M.J. Stephy (2008) “A Brief History of the Bretton Woods System,” Time website, <http://content.time.com/time/business/article/0,8599,1852254,00.html> (last accessed March 2016).

live up to the ideals represented in the SDGs. Beyond the technical monitoring that many organisations are planning, this will require a sea change in political values and a significant change in the very nature of political power.

This may seem difficult — and it is but it is not as problematic as the alternative will be. The status quo has led us to a world where more than half a billion people live under the looming threat of

hunger and malnutrition, while less than 70 people control half of the world's resources. That level of inequality is unjust and untenable. It leads to famine, to conflict, to climate disaster, to the devaluation of human life. If we do not come together to ensure that everyone has access to a large measure of the joy that humans are capable of when we have access to our human rights, we are ensuring that we will all feel the pain and suffering humans are capable of when we don't.

ActionAid is a global movement of people working together to achieve greater human rights for all and defeat poverty. We believe people in poverty have the power within them to create change for themselves, their families and communities. ActionAid is a catalyst for that change.

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