



Members of the Shining Mothers group, a community-based women's group helping to teach business skills and raise awareness of their rights. The Shining Mothers discuss issues which affect them in their community and raise these at public meetings to ensure their voice is being heard by local government. Kawangware, Nairobi, Kenya. 2016. Photo: Allan Gichigi/Oxfam

AN ECONOMY FOR THE 99%

It's time to build a human economy that benefits everyone, not just the privileged few

New estimates show that just eight men own the same wealth as the poorest half of the world. As growth benefits the richest, the rest of society – especially the poorest – suffers. The very design of our economies and the principles of our economics have taken us to this extreme, unsustainable and unjust point. Our economy must stop excessively rewarding those at the top and start working for all people. Accountable and visionary governments, businesses that work in the interests of workers and producers, a valued environment, women's rights and a strong system of fair taxation, are central to this more human economy.

AN ECONOMY FOR THE 99%

It is four years since the World Economic Forum identified rising economic inequality as a major threat to social stability,¹ and three years since the World Bank twinned its goal for ending poverty with the need for shared prosperity.² Since then, and despite world leaders signing up to a global goal to reduce inequality, the gap between the rich and the rest has widened. This cannot continue. As President Obama told the UN General Assembly in his departing speech in September 2016: ‘A world where 1% of humanity controls as much wealth as the bottom 99% will never be stable.’

Yet the global inequality crisis continues unabated:

- Since 2015, the richest 1% has owned more wealth than the rest of the planet.³
- Eight men now own the same amount of wealth as the poorest half of the world.⁴
- Over the next 20 years, 500 people will hand over \$2.1 trillion to their heirs – a sum larger than the GDP of India, a country of 1.3 billion people.⁵
- The incomes of the poorest 10% of people increased by less than \$3 a year between 1988 and 2011, while the incomes of the richest 1% increased 182 times as much.⁶
- A FTSE-100 CEO earns as much in a year as 10,000 people in working in garment factories in Bangladesh.⁷
- In the US, new research by economist Thomas Piketty shows that over the last 30 years the growth in the incomes of the bottom 50% has been zero, whereas incomes of the top 1% have grown 300%.⁸
- In Vietnam, the country’s richest man earns more in a day than the poorest person earns in 10 years.⁹

Left unchecked, growing inequality threatens to pull our societies apart. It increases crime and insecurity, and undermines the fight to end poverty.¹⁰ It leaves more people living in fear and fewer in hope.

From Brexit to the success of Donald Trump’s presidential campaign, a worrying rise in racism and the widespread disillusionment with mainstream politics, there are increasing signs that more and more people in rich countries are no longer willing to tolerate the status quo. Why would they, when experience suggests that what it delivers is wage stagnation, insecure jobs and a widening gap between the haves and the have-nots? The challenge is to build a positive alternative – not one that increases divisions.

The picture in poor countries is equally complex and no less concerning. Hundreds of millions of people have been lifted out of poverty in recent decades, an achievement of which the world should be proud. Yet one in nine people still go to bed hungry.¹¹ Had growth been pro-poor between 1990 and 2010, 700 million more people, most of them women, would not be living in poverty today.¹² Research finds that three-quarters of extreme poverty could in fact be eliminated now using existing resources, by increasing taxation and cutting down on military and other regressive spending.¹³ The World Bank is clear that without redoubling their efforts to tackle inequality, world leaders will miss their goal of ending extreme poverty by 2030.¹⁴

It doesn’t have to be this way. The popular responses to inequality do not have to increase divisions. *An Economy for the 99%* looks at how large corporations and the super-rich are driving the inequality crisis and what can be done to change this. It

‘The gap between poor and rich people in Kenya is sometimes very humiliating. To see that it is just a wall that defines these rich people from the lower class. You find that some of their children drive cars and when you are passing around the roads you get covered in dust, or if it is raining you are splashed with water.’

Jane Muthoni, member of Shining Mothers, an Oxfam-supported community group

considers the false assumptions that have led us down this path, and shows how we can create a fairer world based on a more human economy – one in which people, not profit, are the bottom line and which prioritizes the most vulnerable.

THE CAUSES OF INEQUALITY

There is no getting away from the fact that the biggest winners in our global economy are those at the top. Oxfam's research has revealed that over the last 25 years, the top 1% have gained more income than the bottom 50% put together.¹⁵ Far from trickling down, income and wealth are being sucked upwards at an alarming rate. What is causing this? Corporations and super-rich individuals both play a key role.

Corporations, working for those at the top

Big businesses did well in 2015/16: profits are high and the world's 10 biggest corporations together have revenue greater than the government revenue of 180 countries combined.¹⁶

Businesses are the lifeblood of a market economy, and when they work to the benefit of everyone they are vital to building fair and prosperous societies. But when corporations increasingly work for the rich, the benefits of economic growth are denied to those who need them most. In pursuit of delivering high returns to those at the top, corporations are driven to squeeze their workers and producers ever harder – and to avoid paying taxes which would benefit everyone, and the poorest people in particular.

Squeezing workers and producers

While many chief executives, who are often paid in shares, have seen their incomes skyrocket, wages for ordinary workers and producers have barely increased, and in some cases have got worse. The CEO of India's top information firm earns 416 times the salary of a typical employee in his company.¹⁷ In the 1980s, cocoa farmers received 18% of the value of a chocolate bar – today they get just 6%.¹⁸ In extreme cases, forced labour or slavery can be used to keep corporate costs down. The International Labour Organization estimates that 21 million people are forced labourers, generating an estimated \$150bn in profits each year.¹⁹ The world's largest garment companies have all been linked to cotton-spinning mills in India, which routinely use the forced labour of girls.²⁰ The lowest-paid workers in the most precarious conditions are predominantly women and girls.²¹ Across the world, corporations are relentlessly squeezing down the costs of labour – and ensuring that workers and producers in their supply chains get less and less of the economic pie. This increases inequality and suppresses demand.

Dodging tax

Corporations maximize profit in part by paying as little tax as possible. They do this by using tax havens or by making countries compete to provide tax breaks, exemptions and lower rates. Corporate tax rates are falling all over the world, and this – together with widespread tax dodging – ensures that many corporations are paying minimal tax. Apple allegedly paid 0.005% of tax on its European profits in 2014.²² Developing countries lose \$100bn every year to tax dodging.²³ Countries lose billions more through providing tax holidays and exemptions. It is the poorest people who lose out the most, as they are most reliant on the public services that these forgone billions could have provided. Kenya is losing \$1.1bn every year in tax exemptions for corporations, nearly twice its budget for health – this in a

country where women have a 1 in 40 chance of dying in childbirth.²⁴ What is driving this behaviour by corporates? Two things: the focus on short-term returns to shareholders and the increase in 'crony capitalism'.

Super-charged shareholder capitalism

In many parts of the world, corporations are increasingly driven by a single goal: to maximize returns to their shareholders. This means not only maximizing short-term profits, but paying out an ever-greater share of these profits to the people who own them. In the UK, 10% of profits were returned to shareholders in 1970; this figure is now 70%.²⁶ In India, the figure is lower but is growing rapidly, and for many corporations it is now higher than 50%.²⁷ This has been criticized by many, including Larry Fink, CEO of Blackrock (the world's largest asset manager)²⁸ and Andrew Haldane, Chief Economist at the Bank of England.²⁹ The increased return to shareholders works for the rich, because the majority of shareholders are among the richest in society, increasing inequality. Institutional investors, like pension funds, own ever-smaller shares in corporations. Thirty years ago, pension funds owned 30% of shares in the UK; now they own only 3%.³⁰ Every dollar of profit given to the shareholders of corporations is a dollar that could have been spent paying producers or workers more, paying more tax, or investing in infrastructure or innovation.

*'[M]ore and more corporate leaders have responded with actions that can deliver immediate returns to shareholders, such as buybacks or dividend increases, while under-investing in innovation, skilled workforces or essential capital expenditures necessary to sustain long-term growth.'*²⁵

Larry Fink, CEO of Blackrock

Crony capitalism

As documented by Oxfam in *An Economy for the 1%*,³¹ corporations from many sectors – finance, extractives, garment manufacturers, pharmaceuticals and others – use their huge power and influence to ensure that regulations and national and international policies are shaped in ways that enable continued profitability. For example, oil corporations in Nigeria have managed to secure generous tax breaks.³²

Even the technology sector, once seen as a sector that is relatively above board, is increasingly linked to charges of cronyism. Alphabet, the parent company of Google, has become one of the biggest lobbyists in Washington and is in constant negotiations in Europe over anti-trust rules and tax.³³ Crony capitalism benefits the rich, the people who own and run these corporations, at the expense of the common good and of poverty reduction. It means that smaller businesses struggle to compete and ordinary people end up paying more for goods and services as they face cartels and monopoly power of corporations and those with close connections with government. The world's third richest man, Carlos Slim, controls approximately 70% of all mobile phone services and 65% of fixed lines in Mexico, costing 2% of GDP.³⁴

The role of the super-rich in the inequality crisis

By any measure, we are living in the age of the super-rich, a second 'gilded age' in which a glittering surface masks social problems and corruption. Oxfam's analysis of the super-rich includes all those individuals with a net worth of at least \$1bn. The 1,810 dollar billionaires on the 2016 Forbes list, 89% of whom are men, own \$6.5 trillion – as much wealth as the bottom 70% of humanity.³⁵ While some billionaires owe their fortunes predominantly to hard work and talent, Oxfam's analysis of this group finds that one-third of the world's billionaire wealth is derived from inherited wealth, while 43% can be linked to cronyism.³⁶

Once a fortune is accumulated or acquired it develops a momentum of its own. The super-rich have the money to spend on the best investment advice, and the wealth held by the super-rich since 2009 has increased by an average of 11% per year. This is a rate of accumulation far higher than ordinary savers are able to obtain. Whether via hedge funds or warehouses full of fine art and vintage cars,³⁸ the highly secretive industry of wealth management has been hugely successful in increasing the prosperity of the super-rich. The fortune of Bill Gates has risen 50% or \$25bn since he left Microsoft in 2006, despite his commendable efforts to give much of it away.³⁹ If billionaires continue to secure these returns, we could see the world's first trillionaire in 25 years. In such an environment, if you are already rich you have to try hard not to keep getting a lot richer.

*'No matter how justified inequalities of wealth may be initially, fortunes can grow and perpetuate themselves beyond any rational justification in terms of social utility.'*³⁷

Thomas Piketty, economist and author of *Capital in the 21st Century*

The huge fortunes we see at the very top of the wealth and income spectrum are clear evidence of the inequality crisis and are hindering the fight to end extreme poverty. But the super-rich are not just benign recipients of the increasing concentration of wealth. They are actively perpetuating it.

One way this happens is through their investments. As some of the biggest shareholders (particularly in private equity and hedge funds), the wealthiest members of society are huge beneficiaries of the shareholder worship that is warping the behaviour of corporations.

Avoiding tax, buying politics

Paying as little tax as possible is a key strategy for many of the super-rich.⁴¹ To do this they make active use of the secretive global network of tax havens, as revealed by the Panama Papers and other exposés. Countries compete to attract the super-rich, selling their sovereignty. Super-rich tax exiles have a wide choice of destinations worldwide. For an investment of at least £2m, you can buy the right to live, work and buy property in the UK and benefit from generous tax breaks. In Malta, a major tax haven, you can buy full citizenship for \$650,000. Gabriel Zucman has estimated that \$7.6 trillion of wealth is hidden offshore.⁴² Africa alone loses \$14bn in tax revenues due to the super-rich using tax havens – Oxfam has calculated this would be enough to pay for the healthcare that could save the lives of four million children and to employ enough teachers to get every African child into school. Tax rates on wealth and on top incomes have continued to fall across the rich world. In the US, the top rate of income tax was 70% as recently as 1980; it is now 40%.⁴³ In the developing world, taxation on the rich is lower still: Oxfam's research shows that the average top rate is 30% on incomes, and the majority is never collected.⁴⁴

'No society can sustain this kind of rising inequality. In fact, there is no example in human history where wealth accumulated like this and the pitchforks didn't eventually come out.'

Nick Hanauer, US billionaire and entrepreneur⁴⁰

Many of the super-rich also use their power, influence and connections to capture politics and ensure that the rules are written for them. Billionaires in Brazil lobby to reduce taxes,⁴⁵ and in São Paulo would prefer to use helicopters to get to work, flying over the traffic jams and broken infrastructure below.⁴⁶ Some of the super-rich also use their fortunes to help buy the political outcomes they want, seeking to influence elections and public policy. The Koch brothers, two of the richest men in the world, have had a huge influence over conservative politics in the US, supporting many influential think tanks and the Tea Party movement⁴⁷ and contributing heavily to discrediting the case for action on climate change. This active political influencing by the super-rich and their representatives directly drives greater inequality by constructing 'reinforcing feedback loops' in which the winners of the game get yet more resources to win even bigger next time.⁴⁸

THE FALSE ASSUMPTIONS DRIVING THE ECONOMY OF THE 1%

The current economy of the 1% is built on a set of false assumptions which lie behind many of the policies, investments and activities of governments, business and wealthy individuals, and which fail people living in poverty and society more broadly. Some of these assumptions are about economics itself. Some are more about the dominant view of economics described by its creators as 'neoliberalism', which wrongly assumes that wealth created at the top will 'trickle down' to everyone else. The IMF has identified neoliberalism as a key cause of growing inequality.⁵⁰ Unless we tackle these false assumptions, we will be unable to turn the situation around.

'Instead of delivering growth, some neoliberal policies have increased inequality, in turn jeopardizing durable expansion.'

IMF⁴⁹

- 1. False assumption #1: The market is always right, and the role of governments should be minimized.** In reality, the market has failed to prove itself the best way of organizing and valuing much of our common life or designing our common future. We have seen how corruption and cronyism distort markets at the expense of ordinary people and how the excessive growth of the financial sector exacerbates inequality. Privatization of public services such as health, education or water has been shown to exclude the poor, and especially women.
- 2. False assumption #2: Corporations need to maximize profits and returns to shareholders at all costs.** Maximizing profits disproportionately boosts the incomes of the already rich while putting unnecessary pressure on workers, farmers, consumers, suppliers, communities and the environment. Instead, there are many more constructive ways to organize businesses that contribute to greater prosperity for all, and plenty of existing examples of how to do this.
- 3. False assumption #3: Extreme individual wealth is benign and a sign of success, and inequality is not relevant.** Instead, the emergence of a new gilded age, with vast amounts of wealth concentrated in too few hands – the majority male – is economically inefficient, politically corrosive, and undermines our collective progress. A more equal distribution of wealth is necessary.
- 4. False assumption #4: GDP growth should be the primary goal of policy making.** Yet as Robert Kennedy said in 1968: 'GDP measures everything except that which makes life worthwhile.' GDP fails to count the huge amount of unpaid work done by women across the world. It fails to take into account inequality, meaning that a country like Zambia can have high GDP growth at a time when the number of poor people actually increased.
- 5. False assumption #5: Our economic model is gender-neutral.** In fact, cuts in public services, job security and labour rights hurt women most. Women are disproportionately in the least secure and lowest-paid jobs and they also do most of the unpaid care work – which is not counted in GDP, but without which our economies would not function.
- 6. False assumption #6: Our planet's resources are limitless.** This is not only a false assumption, but one which could lead to catastrophic consequences for our planet. Our economic model is based on exploiting our environment and ignoring the limits of what our planet can bear. It is an economic system that is a major driver of runaway climate change.

*'[GDP] measures everything except that which makes life worthwhile.'*⁵¹

Robert Kennedy, 1968

*'You cannot lift the world at all, while half of it is kept so small.'*⁵²

Charlotte Perkins Gillman, socialist and suffragist

These six assumptions need to be overturned, and fast. They are outdated, backward-looking, and have failed to deliver both shared prosperity and stability. They are driving us off a cliff. An alternative way of running our economy – a human economy – is needed urgently.

A HUMAN ECONOMY, DESIGNED FOR THE 99%

Together we need to create a new common sense, and turn things on their head to design an economy whose primary purpose is to benefit the 99%, not the 1%. The group that should benefit disproportionately from our economies are people in poverty, regardless of whether they are in Uganda or the United States. Humanity has incredible talent, huge wealth and infinite imagination. We need to put this to work to create a more human economy that benefits everyone, not just the privileged few.

A human economy would create fairer, better societies. It would ensure secure jobs paying decent wages. It would treat women and men equally. No one would live in fear of the cost of falling sick. Every child would have the chance to fulfil their potential. Our economy would thrive within the limits of our planet, and hand a better, more sustainable world to every new generation.

Markets are a vital engine for growth and prosperity, but we cannot continue to accept the pretence that it is the engine that steers the car or decides on the best direction to take. Markets need careful management in the interests of everyone so that the proceeds of growth are distributed fairly, and to ensure an adequate response to climate change or to deliver healthcare and education to many – particularly, but not exclusively, in the poorest countries.

A human economy would have a number of core ingredients aimed at tackling the problems that have contributed to today's inequality crisis. This paper only begins to sketch these out, but provides a foundation on which to build.

In a human economy:

1. Governments will work for the 99%. Accountable government is the greatest weapon against extreme inequality and the key to a human economy. Governments must listen to all, not a wealthy minority and their lobbyists. We need to see a reinvigoration of civic space, especially for the voices of women and marginalized groups. The more accountable our governments are, the fairer our societies will be.

2. Governments will cooperate, not just compete. Globalization cannot continue to mean a relentless race to the bottom on tax and labour rights which benefits no one but those at the top. We must end the era of tax havens once and for all. Countries must cooperate, on an equal basis, to build a new global consensus and a virtuous cycle to ensure corporations and rich people pay fair taxes, the environment is protected, and workers are paid well.

3. Companies will work for the benefit of everyone. Governments should support business models that clearly drive the kind of capitalism that benefits all and underpins a sustainable future. The proceeds of business activity should go to those who enabled and created them – society, workers, and local communities. Lobbying by corporates and the purchase of democracy should be brought to an end. Governments must ensure corporations pay fair wages and fair taxes and take responsibility for their impact on the planet.

4. Ending the extreme concentration of wealth to end extreme poverty. Today's gilded age is undermining our future, and needs to be ended. The richest should be made to contribute to society fairly and not be allowed to get away with unfair privileges. To do this we need to see the rich pay their fair share of tax: we must increase taxes on both wealth and high incomes to ensure a more level playing field, and clamp down on tax dodging by the super-rich.

5. A human economy will work equally for men and women. Gender equality will be at the heart of the human economy, ensuring that both halves of humanity have an equal chance in life and are able to live fulfilled lives. Barriers to women's progress, which include access to education and healthcare, will end for good. Social norms will no longer determine a woman's role in society and, in particular, unpaid care work will be recognized, reduced and redistributed.

6. Technology will be harnessed for the interests of the 99%. New technology has huge potential to transform our lives for the better. This will only happen with active government intervention, especially in the control of technology. Government research is already behind some of the greatest innovations in recent times, including the smart phone. Governments must intervene to ensure that technology contributes to reducing inequality, not increases it.

7. A human economy will be powered by sustainable renewable energy. Fossil fuels have driven economic growth since the era of industrialization, but they are incompatible with an economy that puts the needs of the many first. Air pollution from burning coal leads to millions of premature deaths worldwide, while the devastation caused by climate change hits the poorest and most vulnerable hardest. Sustainable renewable energy can deliver universal energy access and power growth that respects our planetary boundaries.

8. Valuing and measuring what really matters. Moving beyond GDP, we need to measure human progress using the many alternative measures available. These new measures should fully account for the unpaid work of women worldwide. They must reflect not just the scale of economic activity, but how income and wealth are distributed. They must be closely linked to sustainability, helping to build a better world today and for future generations. This will enable us to measure the true progress of our societies.

We can and must build a more human economy before it is too late.

NOTES

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For further information on the issues raised in this paper please email advocacy@oxfaminternational.org

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