



Growing Inequalities and Global Governance

The globalized economy benefits a few at the expense of many. But who sets the rules of the game?

Anne-Sophie Gindroz, February 2014

On the 20th of January, just two days before the 2014 World Economic Forum Meeting (22-25 January) in Davos, Oxfam released a shocking report on inequalities, showing how the gap between rich and poor has been widening. It reads: “*the 85 richest people on Earth now have the same amount of wealth as the bottom half of the global population*”. Additionally “*the top 1% has 65 times the total wealth of the bottom half of the population*” (1).

The economy has become globalized, but the profits it has generated have not. The United States has the highest number of billionaires, followed by China and Russia. In Asia, India is on the rise, and the continent has more billionaires than Europe, while Africa remains far behind (2). In South America, Brazil ranks top. The number of billionaires in developing countries is increasing: outstanding talents and terrific entrepreneurial spirits emerge everywhere. But favourable rules, valuable connections and privileges are playing in favour of the wealthiest, while spending on the poorest remains remarkably low. It doesn't help that governments are often drawn into their daily urgencies, addressing the effects of crises instead of the causes.

How does development cooperation fit in?

Poverty reduction is the overarching goal of SDC development cooperation. It is meant “*to foster economic self-reliance and state autonomy, to contribute to the improvement of production conditions, to help in finding solutions to environmental problems, and to provide better access to education and basic healthcare services.*” (3). It is interesting to note that economic self-reliance and state autonomy echo some of the concerns voiced by various civil society movements. But since the strategy (3) remains primarily driven by economic growth and globalization (which weakens state autonomy and creates more economic dependency) is it likely to achieve this economic self-reliance and allow states to regain their autonomy?

Growing inequalities are a major concern for all development actors. However, despite alarming results, the development model has remained the same. Ghana, a country considered by the World Bank, less than 10 years ago, as the best student of the continent, on its way to be the African success story, is now included in the list of Heavily Indebted Poor Countries (HIPC). So what went wrong? Isn't this the result of a purely economic driven model favouring deregulation, privatization, liberalization of markets, and an end to public subsidies, etc.? While poor people get poorer, a tiny minority manage to manoeuvre the system and rig the rules. But who dictates the rules?

Call for a new global governance

The same day as Oxfam issued its report, the Collegium International launched an appeal to the UN General Secretary for a new world governance, considering that while economics has become globalized, “*nothing has been done to put in place the legitimate decision-making structures that this evolution presupposes*” and “*multilateral bodies do not possess the direct democratic legitimacy needed to formulate binding norms*”. But the threat of a “*poly-catastrophe*” for our world, faced with “*a convergence of crises of global scale without precedent: the depletion of natural resources, biodiversity loss, financial bubbles and bank failures, the dehumanisation of the economic system, social disintegration, rising inequality and social insecurity, rising intolerance, disparagement of the political elites, famines, shortages, viral pandemics...*” requires that we “*rethink the very principles of global governance*”. High personalities who have endorsed this appeal are calling for “*the pioneering spirit of the Charter of the United Nations, which proclaimed ‘We the peoples...’, be restored and rendered truly universal, taking account of the interests of all nations, of all social groups and of every generation, particularly those that are still to come*”. Hence asking for the drafting of a Pact of the Peoples, to be submitted for adoption by the States attending the Paris-Climat 2015 Summit (4).

Oxfam is calling for accountability and citizen participation as the antidote to elite control of government. Power goes with responsibility, and this should apply to all of actors. Large corporations too often reduce their Corporate Social Responsibility to some small act of charity (e.g. building a school in Africa). However, when it comes to responsibility, the question is not “what you do with your money”, but rather “how do you make your money”?

“Growing inequalities” or “grow in equality”?

Winnie Byanyima, Executive Director of Oxfam International, stated that *“without a concerted effort to tackle inequality, the cascade of privilege and of disadvantage will continue down the generations.”* Addressing global governance is certainly part of the concerted efforts needed. It can be one way to give back some sovereignty to Nations and enable a change in the rules of the game. Hopefully, through enhanced internal democratic processes, such a move would enable people to set their own development agenda. It is only by empowering citizens that the democratic ownership – one of the fundamental principles for development effectiveness – will be fulfilled.

However, to really address the issue of inequality, a deeper shift might be necessary in how we pursue development. The dominant model is driven by economic growth, so that more public investments can be made to reduce poverty, improve health and education services, etc. But this “trickle-down effect” has failed: the MDGs will not be achieved, poverty has increased even with economic growth and the world has never been so unequal. Because we are looking at “how fast or sustained” the economic growth is, instead of looking at “how is growth generated”.

Real development requires that economic revenues are not generated through exploitative and destructive practices that are inducing poverty. Real development means that communities are not losing their access to resources and means of subsistence. Real development is decided by people who can freely express their aspirations and act upon them. Hopefully this is what the post-2015 Sustainable Development Goals are aiming at. But it is important that we keep in mind whose voice is being heard when defining these global goals. Ensuring that the voice of those these new development goals are meant to serve is being heard would be a step toward more legitimate decision-making. As development practitioners, let's take a step back and critically assess how the rules we are playing by are impacting the most vulnerable people.

References

- (1) Ricardo Fuentes-Nieva and Nick Galasso (2014). Working for the Few: Political capture and economic inequality. Oxfam. 20 January, 2014. <http://www.oxfam.org/en/pressroom/pressrelease/2014-01-20/rigged-rules-mean-economic-growth-increasingly-winner-takes-all-for-rich-elites>
For more information on the data sources of the 2014 Oxfam report “Working for the Few”, see here: <http://oxfamblogs.org/fp2p/anatomy-of-a-killer-fact-the-worlds-85-richest-people-own-as-much-as-poorest-3-5-billion/>
- (2) Forbes (2013). The World's Billionaires. <http://www.forbes.com/billionaires/>
- (3) SDC (2014). SDC at a glance. http://www.sdc.admin.ch/en/Home/About_SDC/The_SDC_in_brief
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