

## **Presentation to the UN Open Working Group 5<sup>th</sup> Session on Sustained and Inclusive Economic Growth – 25 November 2013**

**by Deborah S. Rogers, PhD, on behalf of Women's Major Group**

**affiliations: Women Environmental Programme; Director, Initiative for Equality (IfE); Global Coordinator, Equity & Sustainability Field Hearings; Affiliated Researcher, Stanford University Inst. for Research in the Social Sciences**

### **SLIDE 1: title slide<sup>1</sup>**

Good morning! I'm speaking on behalf of Women Environmental Programme, and also the "Equity & Sustainability Field Hearings" initiative, a global collaboration of over 250 partner organizations working towards greater socio-economic equality. I have 5 minutes and 5 points to make, so let me move right into what I want to say today about economic growth. First of all ...

### **SLIDE 2: Inequality can be a barrier to economic growth**

The World Economic Forum's "Global Risks 2011" report identified inequality as both the BIGGEST risk and also the most INTERCONNECTED to other threats to the economy.

Inequality is observed to be a barrier to economic growth for several important reasons:

1. unproductive economic activities tend to rise when inequality is higher
2. work incentives are diminished, resulting in higher shirking and supervision costs
3. inequality increases a variety of social problems and conflicts, which erode the security of property rights and drive away domestic and foreign investment
4. finally, with extreme wealth, money tied up in savings does not contribute to the economy

### **SLIDE 3: Inequality is primary barrier to sustainable economic and human development**

Economic growth and economic development are not the same thing.

- "Growth" does not consider how the money is allocated, or what the human impacts are;
- "development" considers the various dimensions of well-being, the allocation of resources, and the human impacts

Growth that does not address distribution gives much greater gains to the rich, and does not necessarily help those in poverty at all.

A study of 50 developing countries showed that increasing inequality raises the poverty rate, and falling inequality decreases the poverty rate, with or without growth

A separate study of 70 developing countries showed that there was a strong positive correlation between poverty rates and inequality, especially for countries with growing economies; if inequality did not change then the poverty incidence did not change

<sup>1</sup> see slides at end of document

High inequality also...

- limits progress in education, fertility control, and health outcomes
- promotes conflict and social instability
- is a primary driver of environmental degradation
- and is perhaps the single greatest barrier to solving **global** environmental challenges such as climate change, because communities and nations do not perceive themselves as sharing the same benefits and burdens

#### **SLIDE 4: Redistribution is the best and fastest route to sustainable development**

Research has shown that reductions in inequality will reduce poverty for a given level of income, with or without growth.

Transfers from the very rich to the very poor could have an enormous impact on reducing poverty.

- we could bring everyone over the \$2/day level, if we taxed just 1.2% of the income of the richest 10% of people

We developed a mathematical model to compare the efficiency of distribution versus economic growth at reducing poverty rates:

- For poor countries, it took a 45% increase in the size of the economy to bring everyone above \$1/day, but the same results could be achieved with just 3% redistribution from the top 20% to the bottom 20%.
- For rich countries, it took a 110% increase in the size of the economy to bring everyone above \$10,000/year, but the same results could be achieved with just 2% redistribution from the top 20% to the bottom 20%.
- For the entire world, it took a 110% increase in the size of the economy to bring everyone above \$2/day, but the same results could be achieved with just 1% redistribution from the top 20% to the bottom 20%.

#### **SLIDE 5: “Equity & Sustainability Field Hearings” bring marginalized communities into dialogue**

The network I represent is conducting Field Hearings in poor and socially excluded communities globally, to bring their views into the sustainable development goals dialogue.

We are now working with over 250 partner organizations in 80 countries, going into well over 500 communities.

Our local partners ask community members a series of questions about their problems, what they think the causes are, how they think these problems should be solved, how inequalities are experienced, and what they wish for in the future.

#### **SLIDE 6: What do these community members tell us?**

Preliminary input from about 45 communities so far shows that almost all these community members tell us the same things:

- they are worried about the growing lack of economic security
- the gap between wealthy and poor is increasing
- those with wealth are viewed as having greater access to political decision-making, which they use to create further economic opportunities for themselves

- corruption and a lack of accountability by government officials deprive lower income people of economic opportunities, even when funds have been allocated on their behalf
- lack of trust and unity among community members blocks the collaboration needed for effective problem resolution

What they wish for is simple, basic, and compatible with sustainability:

- stable incomes
- food, health care, and education for their children
- access to the decision-making process, and
- accountable governments that work to create opportunities for everyone

### **SLIDE 7: How can the SDGs address these issues?**

(1) The new SDGs must confront inequality directly through a strongly-worded primary goal on equality, with strong supporting targets.

- this is necessary because inequality itself is a problem in many ways, not just because it results in poverty
- a stand-alone goal has been recommended by the Inequalities Consultation Advisory Group, one of the Global Thematic Consultations on the Post-2015 Development Agenda, and others
- Oxfam calls for an end to extreme wealth as one component of the need to address inequality and poverty

(2) Equality must also be incorporated into all the other goals and targets as well.

Since poverty is multidimensional and entangled with all aspects of life, it is necessary to address all types of inequalities (violence and security, gender, health, education, discrimination, human rights, and many others) in addition to economic inequality, in order to address poverty effectively.

(3) All monitoring data must be disaggregated by target groups

- these should include any groups who experience significant disadvantages
- otherwise, continuing inequalities can hide beneath apparently improving averages

**Thank you very much for your time, and I look forward to any questions you may have for me.**

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**(slides follow)**

# Inequality, Economic Growth, and Sustainable Development

Dr. Deborah S. Rogers

Women Environmental Programme

Director, Initiative for Equality (IfE)

Global Coordinator, Field Hearings Initiative

Affiliated Researcher, Stanford University Inst. for Research in  
the Social Sciences (IRiSS)

# Inequality can be a barrier to economic growth

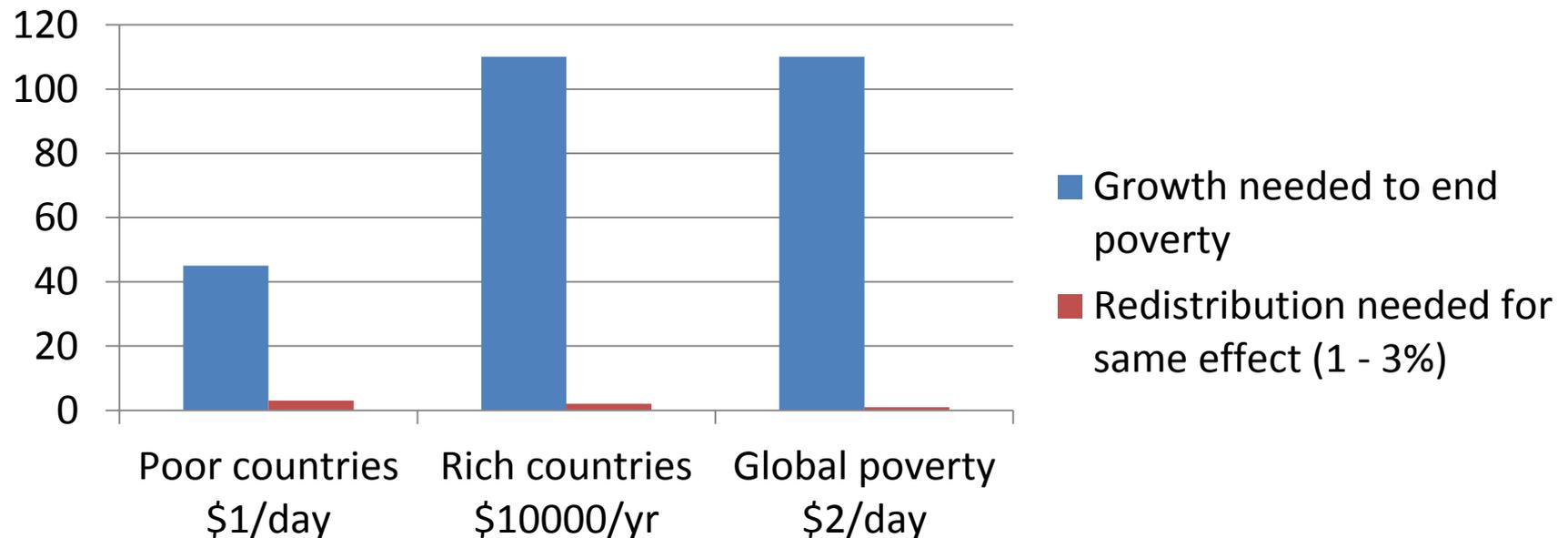
- World Economic Forum “Global Risks 2011“ identified inequality as the biggest risk and the most interconnected to other risks and threats to the economy
- Inequality observed as barrier to economic growth:
  - increased unproductive financial activities
  - diminished work incentives of the urban and rural poor
  - increased instability, crime, and social problems
  - social tensions erode security of property rights, drive away investment
  - money tied up in savings does not contribute to economy

# Inequality is a primary barrier to sustainable economic and human development

- economic *growth* is not economic *development*
- growth without redistribution gives greater gains to rich
- decline in poverty rate of 1.3% per year with *rising* inequality, but 10% per year with *falling* inequality
- inequality has also been shown to:
  - limit progress in education, fertility control, health
  - promote conflict and social instability
  - drive overconsumption and environmental degradation
  - block solutions to global environmental crises such as climate change

# Redistribution is the best and fastest route to sustainable development

- Reductions in inequality can reduce poverty for a given level of income, and contribute to a larger rate of growth.
- We could bring everyone over the \$2/day level if we taxed just 1.2% of the income of the richest 10% of humanity.



# “Equity & Sustainability Field Hearings” bring marginalized communities into dialogue

260 partner organizations in 80 countries, going into well over 500 communities



# What do these community members tell us?

- declining economic security; young people losing hope
- gap between wealthy and poor is increasing
- those with wealth have greater access to decision-making
- corruption and a lack of accountability by government officials deprive lower income people of economic opportunities
- due to discrimination, “selfishness,” or the relationship between political power and business opportunities
- lack of trust and unity blocks the collaboration needed for effective problem resolution
- their hopes are simple, basic, and sustainable

# How can the SDGs address these issues?

- (1) The new SDGs must confront inequality directly through a primary goal on equality, with strong supporting targets.
- (2) Equality must also be incorporated into all the other goals and targets.
- (3) All monitoring data must be broken down by groups and populations to ensure equitable attainment of targets.

# Thank you!

*Institute for Research in the Social Sciences,  
Stanford University (IRiSS)*



*Initiative for Equality (IfE)*

A global grassroots network  
under the fiscal sponsorship of FJC (U.S.)

<https://www.initiativeforequality.org/>

