

IBON INTERNATIONAL SUBMISSION FOR THE DRAFT INEQUALITIES REPORT

IBON International, as a member of the Campaign for People's Goals, submits the following comments on the draft Report on the Global Thematic Consultation on Inequalities (Report on Inequalities):

The [Campaign for People's Goals for Sustainable Development](#) is a global campaign of grassroots organizations, labor unions, social movements and non-governmental organizations and other institutions committed to promoting new pathways to the future we want.

The draft report is comprehensive in addressing various themes of inequality, however, we do not know to what extent the synthesis report is faithful to the submissions to the inequality consultation.

While the report covers many critical aspects which drive inequality, it falls short of making strong and detailed policy recommendations to address structural inequalities which will create real and sustainable equality. Some of these major gaps are:

1. On Redistribution

Over the last twenty years, there has been a marked increase in inequality, as the rich have become richer and the poor, poorer. Today, it is estimated that the wealthiest 30% account for 87% of the global wealth while the poorest 20% enjoy less than 1%. This is not a continuation of inequality, but rather a demonstration that inequality has become worse as the top 1% of the global population have seen their incomes increase by 60%.¹

While the draft report recognises that inequality is a pressing issue and that there should be a fair distribution of wealth, it does not go so far as to address the core issue of redistribution, which is, a democratic restructuring of asset ownership. It is not just a matter of making the poor catch up to the rich to narrow the gap i.e. "levelling up measures". There is a case for making the rich less rich in as much as monopolistic control over the global economy by a tiny section of the population ultimately leads to unjust and even inefficient outcomes. Indeed, much of the surplus wealth of the top 1% of the world's population is being used for speculative transactions that lead to asset inflation, financial volatility and ultimately, busts and economic crises that hit the poor and vulnerable sections of society most severely – while the big banks are bailed out.

Critically, redistribution is not recognised in the framework as being at the heart of transformative change to tackle inequalities (page 36). Given the vast disparities of wealth accumulation globally and within countries it is essential that there be a sustainable and equitable ownership of and access to wealth and resources. This can only be achieved through direct redistribution efforts.

The draft report's recommendations for redistribution are limited to pro-poor subsidies and targeted reforms and social protection schemes. These are not substantial redistribution efforts and will not go far enough to address the primary structural causes of inequality. They are limited to treating the symptoms of inequality – lack of education, access to healthcare and income – rather than addressing the

¹ Oxfam, "The Cost of Inequality: how wealth and income extremes hurt us all," 18 January 2013, <http://www.oxfam.org/sites/www.oxfam.org/files/cost-of-inequality-oxfam-mb180113.pdf>

cause – monopolistic control over investment resources, capture of natural resources by elites; exploitative working conditions and low pay.

It is surprising that there are no recommendations regarding substantive redistribution of wealth and resources as this was also a recommendation within the UN System Task Team on the Post-2015 UN Development agenda thematic think piece on *Addressing Inequalities*.² The UN think piece recommended wealth and income redistribution through land reform and progressive taxation on income and corporations and pro-poor fiscal and trade policies and development assistance to finance widely accessible social provisions.³ This is supported by Section 2 (on Reproducing Inequalities) repeatedly mentioned increasing disparities in asset ownership and control resulting in increased inequality but falls short of connecting this analysis to concrete recommendations in section 4 and 5. There is a disjoint between the analysis and the recommendations.

IBON International calls for substantive recommendations which support redistribution of ownership and access to natural resources (land, water, energy); as well as wealth and finances. This can take place through redistribution programmes, progressive taxation and substantial corporate taxation systems and anti-trust measures including increasing public control over banks and other industries where the public interest is greatly at stake.

The draft report's recommendations on addressing structural inequalities in post - 2015 mentions redistribution but this must be greatly strengthened to reflect a substantive definition of redistribution as stated above.

2. Inter-country inequality

“The dominance of economically powerful countries in global decision making in virtually all contexts is mirrored by the power and reach of transnational private sector companies”

“The interests of richer countries also predominate in ownership and control over new knowledge.”

“...poorer countries and their nationals have significantly less influence on regional and global decision making.”

“Inequalities in power and influence are in some cases institutionalised to the highest level: a good example is the ‘customary’ appointment of citizens of designated countries to lead UN agencies.”

Page 10, Draft Report

The draft report recognises the critical importance of addressing inter-country and international inequalities. Branko Milanovic's report on inequality finds that the world's Gini coefficient is 70, up from 55 in 1850.

² Page 9, ECE, ESCAP, UNDESA, UNICEF, UNRISD, UN Women, UN System Task Team on the Post-2015 UN Development agenda: Addressing inequalities: the heart of the post-2015 agenda and the future we want for all. Thematic Think Piece. May 2012

³ Page 9, ECE, ESCAP, UNDESA, UNICEF, UNRISD, UN Women, UN System Task Team on the Post-2015 UN Development agenda: Addressing inequalities: the heart of the post-2015 agenda and the future we want for all. Thematic Think Piece. May 2012

Economically powerful countries dominate international forums and platforms and maintain international systems and structures which ensure global wealth accrues to them. Despite recognising these structural problems in Section 1 driving inequality between countries and regions, there is no mention in section 4 and 5 on recommendations to address these failings. Section 1 explicitly refers to the dominance of rich countries and their influence over poorer countries, which should have led to a call for a democratic restructuring of the system of international trade, economic and development cooperation. There should also be recommendations in developing more inclusive and more democratic processes at the highest international levels. As the recommendations stand, they only call for regulatory reforms in the international financial system and tax justice, which will not be sufficient to address the inequality between countries and consequential imbalance of power.

For the post-2015 development agenda to reverse the trend in growing inequality, there needs to be real commitment to change the status quo. We cannot continue with nominal changes. There needs to be substantive reform of the existing international trade, financial and monetary architecture –to tackle the root causes, rather than merely the symptoms.

IBON International strongly recommends that the draft report recognise the need for reform in current trade relations to promote mutual benefit among trade partners and to uphold the special and differential treatment of developing countries. There also needs to be direct recommendations on how to address the unregulated, volatile and failing financial and monetary architecture, which promotes unsustainable and extremely destructive financial speculation, and appeals for a mandatory system of enabling technology transfer from rich to poor countries.

3. Non-government actors: Role of Corporate sector in driving inequality

The draft report states:

“Global corporations which serve the interests of the global elite, enjoy systems that permit large scale tax evasion. They have continued to exist at the behest of richer countries, most often denying tax revenues to poorer nations”

There is some recognition in the draft report of the role of the corporate sector in driving inequality. Global corporations have amassed substantial power, economic weight and are becoming increasingly consolidated into smaller interlocking networks. An independent analysis of 43,000 transnational corporations has identified that a core group of companies control each other through shareholding networks and thus control the majority of the world's economy.⁴ This study found that less than 1% of companies are able to control 40% of the network of transnational corporations.

The growing interconnection of transnational corporations exposes the vulnerability of the global economy - collapse of one member of the core group will have substantial effects on the rest of the transnational corporations and the global economy as a whole. The report found that the interconnectedness is a natural effect

⁴ A. Coghlan and D. Mackenzie, “Revealed- The capitalize network that runs the world,” 24 October 2011, New Scientist issue 2835, available at: <http://www.newscientist.com/article/mg21228354.500-revealed--the-capitalist-network-that-runs-the-world.html>

from an unregulated market but it illustrates the need for regulations on these corporations to prevent the global economy and financial system becoming unduly vulnerable. This is especially relevant given the fallout of the recent multiple crises which resulted in the poor being affected disproportionately and widening inequality.

These same corporations also influence national governments and international institutions – as the report recognises - to adopt policies which are beneficial to their business operations but which result in deepening poverty and inequality and expose the national economies.

This is borne out by the increasing contractualization of labour – leading to precarious employment, declining labour conditions and repression of labour unions. It is also seen in the increasing dependence of developing countries on export-led economic models which makes them vulnerable to global economic crises. Transnational corporations encourage these conditions and in many cases actively pursue them.

Decent work, recognised in the draft report, is a key factor to reducing inequality and poverty and yet is not achievable without addressing the unfettered power of transnational corporations which seek ever lower working conditions to keep production costs at a minimum while enjoying extreme and unprecedented profits.

Draft report page 39

The inequalities derived from international financial systems, including tax avoidance and evasion, are increasingly identified as drivers of disparities both within and between rich and poor countries. Practices of transfer pricing, shifting profits into tax havens away from both countries of production and of markets, is having very substantial effects on many treasuries, and on many people.

The power to address this serious matter [inequalities from international tax system] lies very largely with rich industrialised countries.

The draft report recognises the liability of corporations and existing international financial systems in creating financial structures which are inherently volatile. The corporations and international financial elites must also be held to account for its dangerous and fickle actions that have wrought devastation on global economy and affected many poor families. This is necessary to ensure that such practices do not persist.

However, the draft report's recommendations for international commitment to equitable economic and financial rules are not enough to address the imbalance of power accrued by transnational corporations and their unregulated behaviour. Strong regulatory frameworks for large corporations with mandatory reporting requirements and accountability mechanisms should be adopted rather than relying on mere voluntary commitments. Corporate accountability must become one corner stone of any post-2015 development framework.

4. Accountability

Governments are the enactors of measures and policies to address inequality however not all governments respond effectively to the needs and wants of their

people. Governments are also vulnerable to capture by elites who direct these institutions to serve their interests as opposed to addressing the particular interests of the people. This is why there is a need for systems of direct participation and accountability where the people themselves can hold their governments and other influential institutions to account.

People's participation should extend beyond positioning them as "service users" and "receivers of charity". All citizens should be involved in decision-making processes that affect them and they should be given opportunities to express their interests and needs. Measures to address inequality are structured from above without people's real involvement and participation and therefore often fall short of addressing their interests and priorities. People's participation should extend substantively to their having an active role in decision making in the formation and implementation of policies. The draft report does not address the role of people's participation adequately and falls short of enumerating accountability mechanisms whereby the people can ensure that the policies developed for them and not only in their name. Additional notes

Even as the draft report identifies the need to improve access to decent work, insufficient attention and detail are given to addressing the growing global unemployment rate—especially among the youth—which was identified by UN DESA as a major stumbling block towards economic recovery¹. In light of the draft report's assertion that inequalities have a strong tendency to reproduce over generations, concrete policy recommendations must be formulated to address a situation that can reinforce unequal relations and precipitate social unrest.

1. *United Nations. World Economic Situation and Prospects Mid-2012 Update. June 2012.* http://www.un.org/en/development/desa/policy/wesp/wesp_current/2012wesp.pdf