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# FOR RICHER... OR POORER?

THE CAPTURE OF GROWTH AND  
POLITICS IN EMERGING ECONOMIES

This paper was researched and written by Alice Krozer, edited by Thomas Dunmore Rodriguez and Jane Garton, and designed by Daniel Hernandez. It draws from a forthcoming research report commissioned by civil society networks across the BRICSAMIT countries. The full report will be published in the autumn and will be available at [www.csnbricsam.org](http://www.csnbricsam.org)

As a coalition of civil society networks from Brazil, China, India, Indonesia, Mexico, Russia and South Africa, our aim is to ensure the voices of poor and marginalized people in our countries are taken into account in global policy-making processes. We encourage others – leaders and governments from our nations, businesses, academics and fellow citizens – to join us in taking a stand on the issue of inequality and the negative impact it has on society.

Cover photo:

Shops and crumbling old buildings in front of a modern office building in the Arya Nagar area of Mumbai, India (2011)  
Fredrik Naumann/ Panos Pictures

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# 1. INTRODUCTION



Children play around a waste water canal, Masephomole township, Cape Town. (2014)

Zed Nelson/ Oxfam

The emerging economies Brazil, China, India, Indonesia, Mexico, Russia, South Africa and Turkey – in short, the BRICSAMIT – have come to be considered the economic powerhouses of recent decades, fostering a narrative of the growth of the South. Not only have these countries managed to reduce poverty; most have embarked on a steep economic growth path and play an increasingly influential role on the global scene.

But an emphasis on growth masks another, worrying trend. Today, all eight BRICSAMIT countries occupy the top ranks as some of the most unequal countries in the world. The price these countries – and millions of their citizens – pay for this is high. Excessive inequality hampers development prospects: negatively impacting growth potential, threatening poverty reduction, leading to mass migration flows and ‘brain drain’, and reducing opportunities for young people. Inequality affects all aspects of a person’s life and life chances, from health and education to living environment and prospects for old age. Extreme inequality perpetuates high levels of violence and crime, fuels mistrust and undermines social cohesion.

It is now clear that the gains of economic growth in the BRICSAMIT have been captured by the very richest. Fortunes have been made by large corporations engaged primarily in the extractives, agribusiness, infrastructure, media and telecommunications sectors. The capture of power by economic elites, including companies, drives inequality by ensuring the rules remain rigged in favour of the rich, who grow increasingly influential.

This concentration of wealth and power in the hands of the few is clearly at the expense of the many. It reinforces existing social structures, perpetuating inequality and excluding millions of people from an equitable share in prosperity. Despite the growth in these next-generation economic miracles, more than 2.3 billion people in the BRICSAMIT are still living on less than \$5 a day.

Civil society organizations have long understood that inequality is a barrier to development. This is at last becoming more widely recognized, as the long-held theory of the 'trickle down' of wealth as countries grow richer fails to become a reality. Yet measures to tackle extreme inequality are not high on the political agenda in most emerging economies; or are effectively blocked by an alliance of the economic and political elites who have little interest in changing the status quo.

This summary paper – which draws from a forthcoming research report commissioned by civil society networks across the BRICSAMIT countries – aims to increase the urgency to tackle the structural causes of inequality, by shedding light on the nature and scope of the issue in the BRICSAMIT, and the economic, political and social consequences these countries are now facing as a result. It looks at the conditions that enabled the rise of the super-rich and how political and media capture by this elite is undermining democracy and undermining most attempts to reduce inequality. The paper concludes with recommendations of ways in which growth and development could be used to make our societies more equal.

**Whilst we welcome the sustainable development goal related to reducing inequality, we urge governments and leaders to recognize that reducing inequality is a deeply political undertaking by which the vested interests of the existing elites will need to be challenged. If developmental goals – such as equal rights for all and an end to poverty and gender discrimination – are to be achieved, the debate must shift away from growth at all costs to focus on achieving greater equality.**

## 2. ECONOMIC INEQUALITY TRENDS IN THE BRICSAMIT

BRICSAMIT countries are endowed with exceptional wealth and natural resources, large domestic markets and thriving international trade, making them occupy the top ranks in the list of richest countries in the world. This could in principle ensure considerable wellbeing for their entire population. Yet instead of an overall process of catching up with the more advanced countries, we seem to be witnessing two different, simultaneous development paths within BRICSAMIT countries – where large parts of the population are consistently losing out under the current economic and political set-up, while a small elite enjoy a life of privilege and luxury.

### **Growth prevails... yet poverty persists**

While there has been important progress in tackling extreme poverty in most of the countries, vulnerability remains ubiquitous (Figure 1). World Bank (2015) data shows that in India and China alone, almost one billion people still live on less than \$2 per day. Together, over 2.3 billion people (or over 65% of their population) live on less than \$5 a day in the BRICSAMIT.<sup>1</sup>

FIGURE 1: WHO WERE THE BOTTOM 40% TWENTY YEARS AGO? WHO ARE THEY NOW?

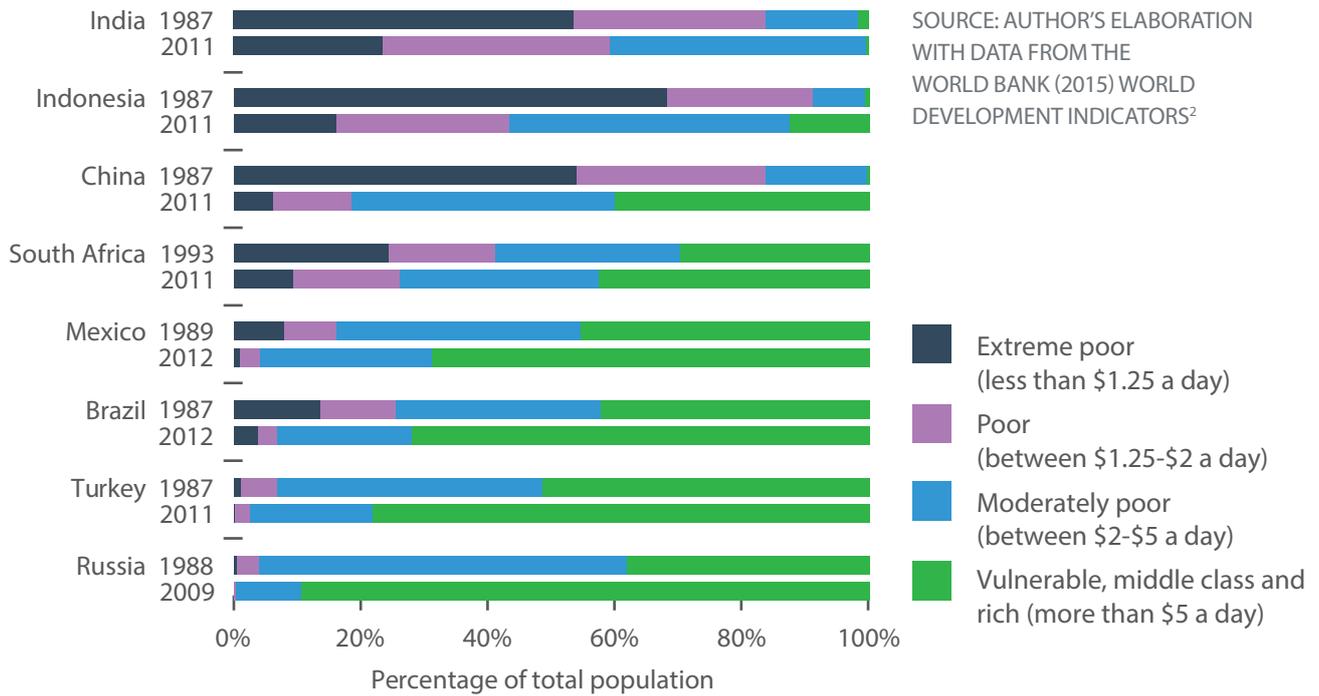
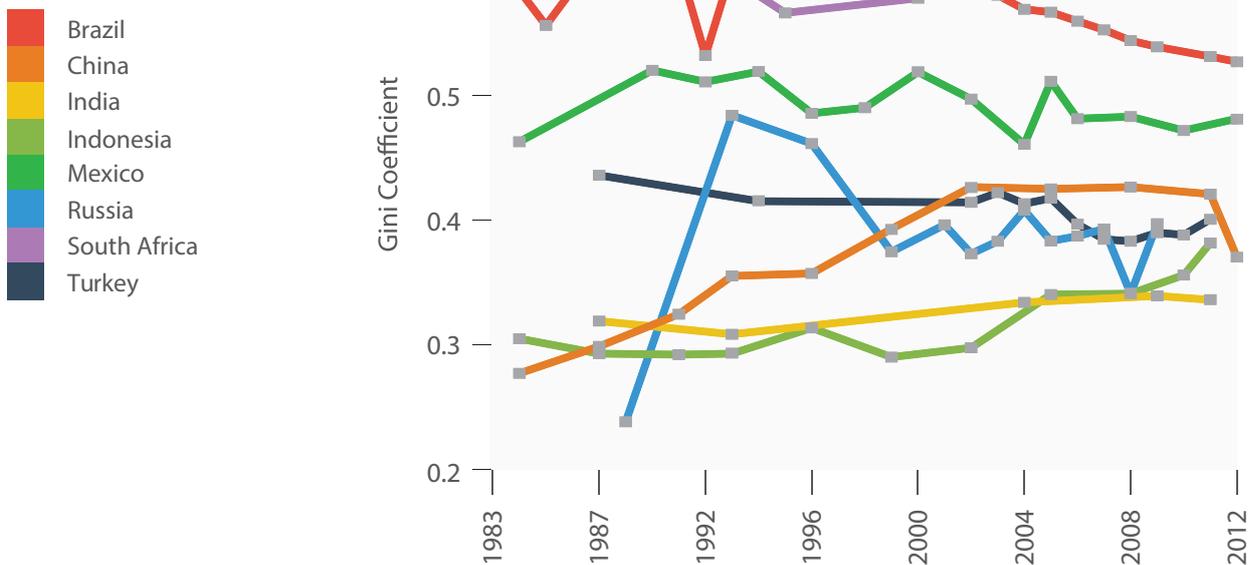


Figure 2 compares the countries' Gini coefficient – the most frequently used measure of inequality – over the last three decades. With the exception of Turkey and Brazil, all of the countries have comparatively higher Gini levels today than 30 years ago.

FIGURE 2: INEQUALITY IN THE BRICSAMIT ACCORDING TO GINI COEFFICIENT, 1984-2012

SOURCE: AUTHOR'S ELABORATION WITH DATA FROM THE WORLD BANK (2015) WORLD DEVELOPMENT INDICATORS<sup>3</sup>

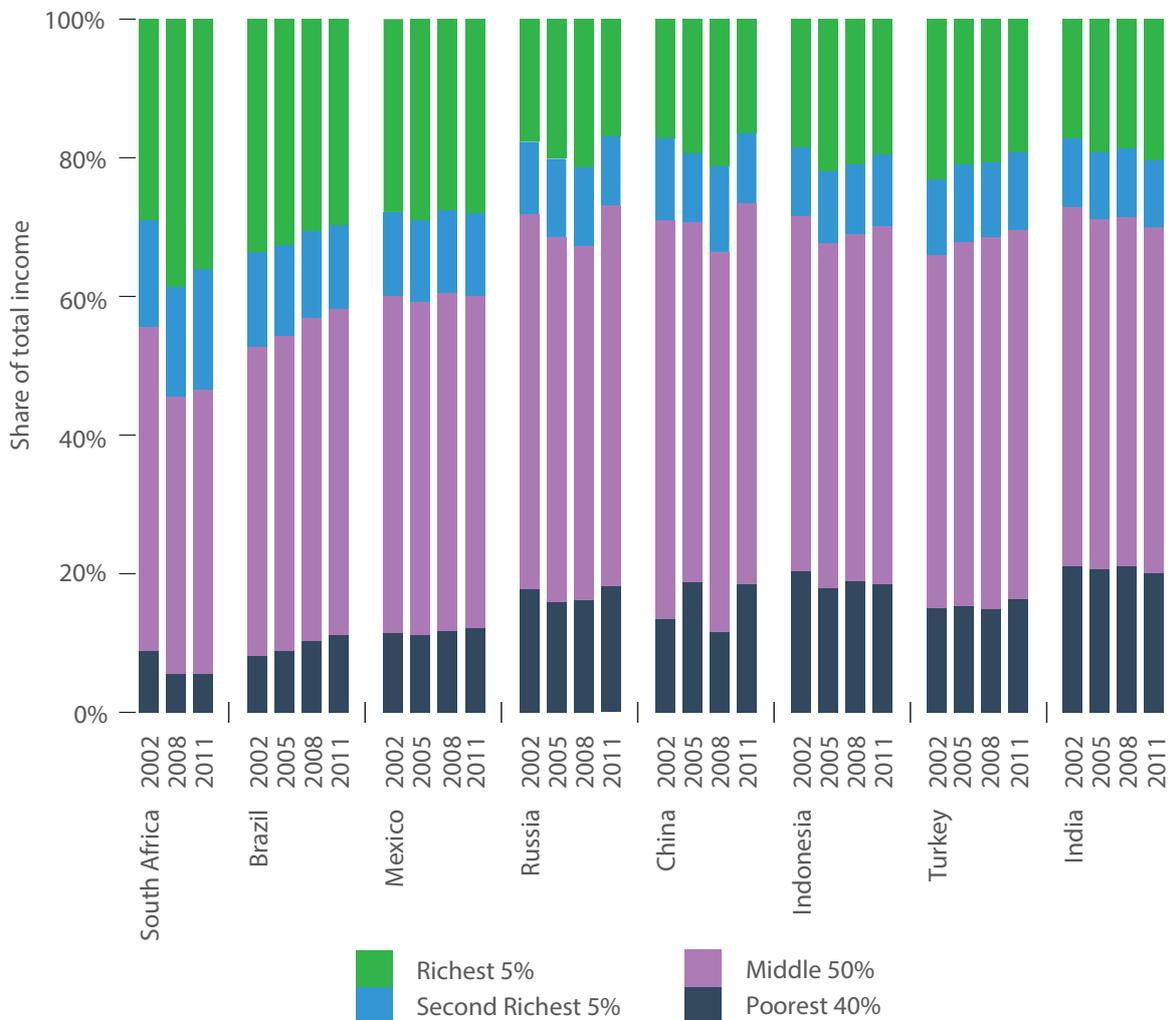


## THE INCREASING INCOME GAP

'Pro-poor' or 'inclusive growth' are terms which are widely used now, and indeed some of the BRICSAMIT countries are often considered examples to follow in terms of how successful they have been in ensuring that economic growth has benefitted the poorest. However, even where the incomes of the poorest are growing faster than those of the rich, the absolute gap between them is increasing. In Brazil, for instance, growth for the poorest 40% was more than two times that of the richest 5% between 2002 and 2011, yet the absolute difference between the average incomes of the poorest and richest in that same period more than doubled. At current growth rates, it would still take more than 35 years for the gap between the average incomes of the poorest 40% and richest 5% to start closing in China, while in Brazil it would not start shrinking until 2080.

Figure 3 shows income shares by population group over the last decade. In all of the countries except India, the richest 5% alone earn a larger share than the poorest 40% of the population; in some countries they earn more than double.

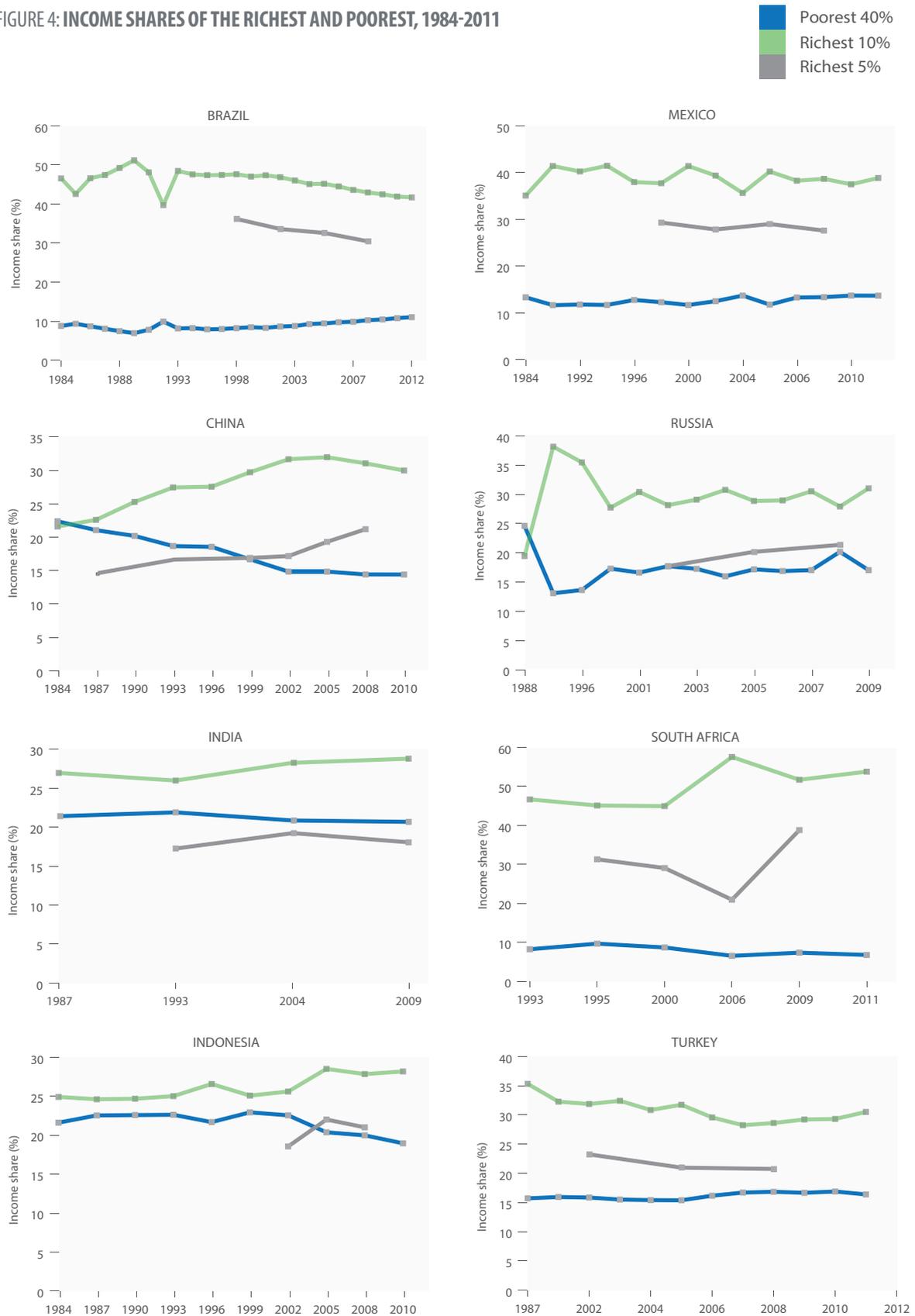
FIGURE 3: INCOME SHARES BY POPULATION GROUP, 2002-2011



SOURCE: AUTHOR'S ELABORATION WITH DATA FROM B. MILANOVIC (2015) WORLD INCOME DISTRIBUTION DATASET 2011

Important distributional differences mark the individual countries: while the richest 10% together account for about a third of total income in Russia, China, Indonesia, Turkey and India, the share rises for Brazil and Mexico, and in South Africa the top 10% earn more than half of the total income.<sup>4</sup>

FIGURE 4: INCOME SHARES OF THE RICHEST AND POOREST, 1984-2011



SOURCE: AUTHOR'S ELABORATION WITH DATA FROM B. MILANOVIC (2014) WORLD INCOME DISTRIBUTION DATASET 2008 AND B. MILANOVIC (2015) WORLD INCOME DISTRIBUTION DATASET 2011

An increasing share of the richest is almost always accompanied and matched by a loss in share for the most vulnerable part of the population, which indicates that rich groups have been able to take advantage of growth benefits at the cost of the poorer groups.

Closer scrutiny of the share of the top income earners reveals this to be the most unequal income group of the entire distribution.<sup>5</sup> Figures for South Africa show that the richest 1% now enjoy almost 17% of total income, up from around 8% in the early 1980s. Similar trends hold in India and Indonesia, while recent numbers for Mexico suggest it is now one of the most unequal countries according to this measure, with 21% of total income enjoyed by the richest 1%.<sup>6</sup>

## GOVERNMENT POLICIES CAN CHALLENGE INCOME INEQUALITY: BRAZIL

The most effective way to increase the poorest people's share is by reducing that of the richest – for example, via progressive taxation. Currently this is not an issue very high up the public policy agenda in the BRICSAMIT: the total amount of tax collected by each country falls far short of the OECD average, for example, as do top income- tax rates. More generally, the countries rely on regressive indirect tax, such as VAT, over potentially progressive direct taxes.

As shown in Figure 2, Brazil and Turkey are alone among the BRICSAMIT in showing a decrease in income inequality between 2002 and 2011. This was achieved by increasing the incomes of the most vulnerable groups through substantial raises in minimum salaries alongside a set of inclusive social transfer programmes and universal pension schemes. This strategy of equalization from below is promising, since it is a 'path of less resistance', i.e. it does not involve taxing the rich more on their income, indirect taxes or wealth – and is thus politically easier to embark on. However, a more straightforward progressive taxation policy would have even greater equalizing potential. As yet this has been largely unexplored in Brazil, in a context where the highly influential wealthy elite have no desire to see a rise in their taxes.

## WEALTH INEQUALITY IS EVEN GREATER THAN INCOME INEQUALITY

Wealth distribution is not only even more unequal than income distribution;<sup>7</sup> it is also becoming more unequal at a faster rate. Wealth, defined as the value of financial assets plus real assets (principally housing) owned by households, less their debts,<sup>8</sup> has grown rapidly in the BRICSAMIT since 2000. It tripled in Brazil, India, South Africa and Turkey, more than tripled in China, increased four-fold in Indonesia and increased by a startling eight times in Russia. In all of the countries both the number of millionaires and their respective wealth has risen over the past two decades, and Credite Suisse estimates their number to further rise significantly over the next five years, in some countries almost doubling.

In Mexico and China, the top 10% now hold more than 60% of total wealth; in Brazil, India, Indonesia, South Africa and Turkey this proportion rises to above 70%. In the most extreme case of wealth inequality in the world, Russia, the richest 10% hold 85% of total household wealth.<sup>9</sup> The difference in wealth between the richest individuals and the rest of the population is astronomical. In Mexico, just one man owns wealth equivalent to almost 6% of the production value of the entire country with its 122 million people, while India's wealthiest man has a fortune which amounts to almost 1.5 million times the average person's income (see Table 1).

It is impossible to justify such vast gulfs between the top and average income earners on account of productivity, let alone fairness. Even in South Africa, where the gap is smallest, to earn what the richest man made in just one year – in terms of income generated by his existing wealth – the average worker would have to toil 15,737 years.

Meanwhile the richest are not only getting richer – they are also grow increasingly powerful, wielding greater influence over government decisions, over markets and over the development model that their countries have adopted, thereby protecting their own interests to the detriment of voiceless majority, who continue to miss out on the benefits of economic growth.

TABLE 1: WEALTH OF THE COUNTRY'S RICHEST PERSON IN PERSPECTIVE (2015)

country	Richest Person	Core Business	Personal Wealth (US\$ billion)	Wealth as % GDP	Richest Person's Income 2014	Ratio Wealth to Country's Average Income
Mexico	Carlos Slim Helu	telecommunication	77.1	5.95	2.4	470,623
Brazil	Jorge Paulo Lemann	beer	25	1.11	10.8	478,881
China	Wang Jianlin	real estate	24.2	0.23	1.7	1,426,240
India	Mukesh Ambani	petrochemicals, oil, gas	21	1.03	5.3	1,476,341
Russia	Vladimir Potanin	metals	15.4	0.75	5.09	195,577
Indonesia	R. Budi Hartono	tobacco, banking	9.3	1.09	2.8	499,416
South Africa	Johann Rupert	luxury goods	7.4	2.17	0.7	15,737

SOURCE: AUTHOR'S ELABORATION WITH DATA FROM IMF (2014) WORLD ECONOMIC OUTLOOK DATABASE, OCTOBER 2014<sup>10</sup> AND FORBES (2015) 'THE WORLD'S BILLIONAIRES'<sup>11</sup>

## THE RISE (AND RISE) OF THE SUPER-RICH

So how did we get here? The concentration of wealth in the hands of a small elite stems largely from four distinct features of an inherently unequalizing economic model employed by the BRICSAMIT: the extractives industry; agri-business; mega- infrastructure projects (such as the FIFA World Cups and related building works, road and airport development, mega-dam projects); and large-scale privatization of both natural resource companies, such as oil and even water, and services such as the media and telecommunications sector.<sup>12</sup> Informal influence has secured preferential treatment for this elite by successive governments – for example, through the awarding of large government contracts, tax breaks and obscure deals in the privatization of public services. Other popular areas of investment for the rich include construction, real estate, and banking – all of which depend heavily on government permissions and regulations.

The dramatic shifts in wealth distribution in the BRICSAMIT have often accompanied massive institutional changes during times of crisis, revolt or structural (economic and political) change. In particular, the economic structural adjustment beginning in the 1980s or early 1990s, which all of the countries underwent, pushed inequality up significantly. This was the case during the collapse of the Soviet system and the ensuing rise of the oligarchs in Russia, but also the move towards a more market- oriented economy in China since the reforms in 1978.

While the objective of the banking reforms of the 1990s and market liberalization was to bring growth to the countries, a small elite was able to reap disproportionate benefits by purchasing formerly state-owned enterprise, allowing for monopoly rent- extraction; for example, the sale of Russian oil giant Yukos to Mikhail Khodorkovsky in 1995, or of the Mexican phone company Telmex to Carlos Slim in 1990.

Wealth inequality accelerated again in the BRICSAMIT in the aftermath of the 2008 global financial crisis; surviving companies grew stronger as weaker ones collapsed or were taken over, while many workers were dismissed on 'efficiency' grounds. Richer individuals continued to accumulate wealth by consuming less, while the less well-off spent more of their incomes on making ends meet, and were hit harder by austerity measures, particularly cuts in social spending and further privatization of public services.

## 3. THE CAPTURE OF POLITICS BY THE ECONOMIC ELITE

In this context, billionaires are thriving through their proximity to politics. Running the biggest raw-material, media and infrastructure companies of the country requires political influence; and contracts over former public assets are made available exclusively through government permissions.

A number of strategies are applied by the respective elites: generating private profits from public goods by taking advantage of personal connections; entering and exiting through the ‘revolving door’ between business and politics; and sponsoring massive public infrastructure projects. The list can be extended to include channeling of illicit financial flows and stashing wealth in offshore havens; buying political influence by funding election campaigns; but also corruption and bribery. Not all of the diverse strategies employed are illegal. But all of them – whether legitimate or not – lead to a situation where the economic and political elite become increasingly intertwined in their mutual dependence on, and support for, each other.

Such mutual back-scratching makes both the investor and the politician richer in the process. It is also incredibly difficult to curb in a context where the public sector collects low revenues via the tax system and instead relies on exploitation of natural resources and privatization of formerly public infrastructure to generate revenue.

While the gains of growth are unevenly spread, so are the related threats. The poorest people are particularly at risk from the privatization of natural assets; for example, in Jakarta, Indonesia, the price for water increased from about \$0.13 to \$0.54 per cubic meter after privatization. In Brazil and Mexico, indigenous peoples are disproportionately affected by the destruction of their living space when forests are eroded for mining or intensive large-scale farming. Massive dam projects in China and palm oil plantations in Indonesia see poor farmers and villagers pay the price, while private corporations reap the profit.

### THE REVOLVING DOOR BETWEEN BUSINESS AND POLITICS

In South Africa, multi-millionaire investor-entrepreneur Cyril Ramaphosa, now deputy president of the ANC, hopes to circumvent the politician-intermediary by running for presidency in 2017. Similar trends are discernible in Mexico, where several business people have moved into politics, such as the oil company owner and current energy minister Pedro Joaquín Coldwell. At Russia’s last election, ‘alpha oligarch’ Mikhail Prokhorov (with his \$13bn fortune made in natural resources, and more recently technology) ran for presidency.<sup>13</sup>

### CAMPAIGN FINANCING

Economic affluence buys not only the power to influence the outcome – but also to rig the rules. In the BRICSAMIT, an economic system organized predominantly around increasing growth (rather than focused on citizen wellbeing as its prime goal) works alongside a political system in which aspiring politicians require vast resources in order to be successful when running in elections. Consequently, donors can exert significant influence over politicians and candidates, ensuring a favourable environment to pursue their interests after the elections.

## HOW CORPORATIONS BUY POLITICAL INFLUENCE

Of the roughly \$2bn spent by parties and candidates in the 2010 Brazilian presidential election, nearly 98% of winner Dilma Rouseff's campaign donations and almost 96% of her main opponent's came from corporations.<sup>14</sup> Large corporate donations to influence policy outcomes are also documented in Turkey and South Africa.<sup>15</sup> In India, upwards of \$2bn was allegedly spent to influence the Uttar Pradesh state elections in 2012 alone. The 2012 elections in Mexico were overshadowed by 'clientelism', with electoral campaign funds being used to win votes among poor and disadvantaged communities, in this case by distributing household articles, food and other products.<sup>16</sup> Financing parties and candidates, often several adversaries at the same time, is a highly lucrative business for private corporations. For example, a recent study carried out in Brazil found that an electoral victory brings on average an additional \$73,921 – \$184,676 in government contracts for each corporate donor, corresponding to 14 – 39 times their average contribution.<sup>17</sup>

## MEDIA CAPTURE

At the same time, elite ownership and dominance of mass communication channels fosters a vicious cycle of political-cum-economic power, where public opinion can be dramatically swayed through the use of the media, and rules and laws can be bent according to the specific interest of influential sponsors. The monopolization of the media – and consequently the ability to influence public opinions and make or break political careers – is epitomized by the cases of Globo, which provides preferential airtime to conservative candidates in Brazil<sup>18</sup> and Televisa, which controls 70% of the Mexican television market and played an important role in the rise to presidency of Enrique Peña Nieto.<sup>19</sup> In India, Mukesh Ambani holds majority shares of the country's largest news broadcaster, Network18 Group.<sup>20</sup>

Against this backdrop, the potential for corruption and conflict of interest is very high. While some BRICSAMIT countries have put anti-corruption mechanisms into place, it seems that these are not always very effective. Clearly, political capture and conflict of interest have to be understood as two sides of the same coin – and as a 'natural' phenomenon in fast-growing, lightly regulated economies.

## PROGRESS ON INEQUALITY IS BLOCKED BY POWERFUL ELITES

It is hardly surprising that most members of the economic and political elites are scarcely interested in changing this mutually beneficial environment – and in some cases work hand in hand to block measures that could reduce inequality. Such measures could include reform of countries' social, economic and political institutions; making tax systems more progressive; improving the bargaining power of labour unions and increasing the minimum wage; strengthening the welfare regime, and becoming more accountable to citizens and civil society. But if key institutions are – wittingly or unwittingly – designed deficiently at the outset, or eventually captured by elites, inequality will prevail.

## 4. THE HIGH COST OF INEQUALITY

While powerful individuals and corporations continually bend the rules to their own advantage, the majority of the population that does not have direct links to executive power is largely excluded from the decision-making process – with devastating consequences on both individuals and society.

Inequality permeates all areas of life and shapes every aspect of a society – effectively resulting in two-tier development that prevents the less well-off majority from ever catching up. While the rich can afford expensive private schools and hospitals, the poor have to rely on under-equipped public services – increasing their vulnerability and limiting their life chances. High crime rates and elevated levels of impunity are intrinsically linked to socio-economic inequality, and create additional risks for everyone. Whilst the prison systems of BRICSAMIT countries are overflowing, those involved in high levels of corruption, alluded to above, are rarely brought to justice.

The vast informal sectors in most of the BRICSAMIT signify a lack of job and hence income security, as well as any possibility of social security, thus preventing poor people from making longer-term plans. The informal labour market also means that working conditions are often precarious, while social welfare programmes for unemployment, disability or old age in most of the countries, where they exist, only cover fractions of society. In this way, inequalities generated during working life are amplified during times of unemployment and cemented in old age.

Disaggregating the UN Human Development Index (HDI) for BRICSAMIT countries according to income groups, we are faced with stark differences in developmental levels. Standards enjoyed by the highest quintile, i.e. the richest 20%, exceed average levels of even the most advanced nations, whereas the levels of the poorest 20% compare to those of the lowest-income countries.

### INEQUALITY IN HEALTH AND EDUCATION

Average levels disguise vast differences in life expectancy, both across our set of countries and compared to other developed nations. Collectively, the BRICSAMIT fare much worse than other rich countries: life expectancy ranges from 56.9 in South Africa to 77.3 in Mexico, compared to 83.6 in top-scoring Japan. Such differences are driven by exposure to violence and environmental threats, the differentiated investment in health services provided by the public sector and individuals' capacity to purchase high quality services where they are not provided for by the state. All of these are highly unequally distributed in the BRICSAMIT.

TABLE 2: QUINTILE SPECIFIC LIFE EXPECTANCY INDICES BY COUNTRY

country	all	Q1	Q2	Q3	Q4	Q5	ratio Q5/Q1
India (1999/1997)	0.652	0.57	0.597	0.657	0.727	0.83	1.458
Indonesia (2000/2003)	0.752	0.665	0.724	0.741	0.801	0.883	1.328
Brazil (1996/1997)	0.783	0.644	0.782	0.911	0.94	0.991	1.538
South Africa (2000/1998)	0.418	0.347	0.426	0.461	0.432	0.521	1.499

SOURCE: AUTHOR'S ELABORATION WITH DATA FROM GRIMM ET AL. 2009<sup>21</sup>

While the figures are somewhat dated and therefore need to be treated with some caution, Table 2 shows the stark differences in life expectancy that existed within countries in 2009. In Indonesia, for example, someone in the rich 20% of the population were to live to 70.8 (life expectancy in Indonesia) a poor person would only live to 53, according to its quintile ratio of 1.5. In South Africa, the difference between life expectancy for the poorest 20% and the richest amounted to 19 years, in India 21, and in Brazil almost 26 years.<sup>22</sup>

Vast differences between the top and bottom income groups also appear in education (Table 3). Differences in quality of education, particularly between rural and urban areas, perpetuate the divides between the social strata. Turkey is one of three OECD countries that spends more on the education of its rich children than on its poor,<sup>23</sup> while in Mexico, a worker on the minimum wage would need to work every day for 3.5 years just to cover the annual fees for private kindergarten.<sup>24</sup>



A regular day at a primary health centre in Patna district, Bihar, India (2015)

Srikanth Kolari/ Oxfam India

TABLE 3: QUINTILE SPECIFIC EDUCATION INDICES BY COUNTRY

country	all	Q1	Q2	Q3	Q4	Q5	ratio Q5/Q1
India (1999/1997)	0.64	0.548	0.629	0.69	0.705	0.7	1.276
Indonesia (2000/2003)	0.832	0.746	0.807	0.84	0.874	0.921	1.234
Brazil (1996/1997)	0.888	0.682	0.854	0.935	0.986	1	1.467
South Africa (2000/1998)	0.843	0.836	0.84	0.846	0.846	0.846	1.012

SOURCE: AUTHOR'S ELABORATION WITH DATA FROM GRIMM ET AL. 2009<sup>25</sup>



Family members help a pregnant woman of Mohanpur Village get off from an auto rickshaw in front of the Maner Primary Health Center in Patna district, Bihar, India. The Center is understaffed and lacks sanitation and proper equipment. Family members are often asked to help with deliveries. (2015)

Srikanth Kolari/ Oxfam India

## THE GENDER GAP

Inequalities on the basis of gender, caste, race and religion are exacerbated by the growing gap between the haves and the have nots. Although in BRICSAMIT countries there have been advances towards greater gender equality in terms of health and to a lesser degree education, vast disparities continue to exist between women and men in the realms of income, labour-market participation and positions of political and economic power (Table 4). In India and Turkey, the percentage of women's income to men's reaches 29% and 31% respectively (followed by Mexico with 46%). With the exception of South Africa, the percentage of seats in Parliament occupied by women is also particularly low across the BRICSAMIT.

TABLE 4: GENDER INEQUALITY IN THE EMERGING ECONOMIES

country	2012 ratio secondary education (female/male)	female income (% of male) 2012	Female labor force participation 2012	parliament seats held by women (%) (2013)	Women in high level management (2014)
Russian Federation	97	65.7	57.0	12.1	< 5
Turkey	79	31.1	29.4	14.2	10 – 20
Mexico	95	45.7	45	36	5 – 10
Brazil	103	60.9	59.5	9.6	5 – 10
China	87	68.7	63.8	23.4	5 – 10
Indonesia	91	48.8	51.3	18.6	5 – 10
South Africa	97	56.1	44.2	41.1	10 – 20
India	76	29.1	28.8	10.9	< 5

SOURCE: UNDP (2014) HUMAN DEVELOPMENT REPORT STATISTICAL TABLE 2014<sup>26</sup>

## PRIVILEGE AND POVERTY PASS TO THE NEXT GENERATION

This accumulation of social inequalities in vulnerable groups is stifling social mobility. Poor parents cannot afford a good education or healthcare for their children, and rich people do not want to contribute more in tax to pay for public services, as they themselves don't use these. In a context where close to 30% of the population is under 15 years old<sup>27</sup> neglecting the prospects of youth thwarts the hopes, ambitions and potential of millions of people, depriving them of a better future and undermining development. A vicious cycle of inequality is created, where the drivers of disadvantage simultaneously become its consequences.

# 5. WAYS FORWARD



Leonard Kufeketa, 39, in Parkhurst, an expensive suburb of Johannesburg. "Things are changing in South Africa for the worst. The public schools are no good. Those in the government, they are very rich, the rest of us are poor." (2014)

Zed Nelson/ Oxfam

It is clear that the economic growth that BRICSAMIT countries have seen in the last 20 years has been captured by a rich and powerful elite – driven by, and perpetuating the capture of politics. The resulting inequality weakens democracy, as broader citizen participation in politics is often reduced to little more than voting.

While often seen as a challenge to the 'old global order', the BRICSAMIT are so far modelling a similar economic logic; and while equal rights for all is enshrined in their constitutions, it is undermined by the concentration of power and wealth in the hands of the few. Inequality can – and must – be challenged by the countries' citizens.

A strong, autonomous and democratic citizenry is needed in order to hold BRICSAMIT governments and private sector accountable – and this role should be valued and strengthened by these governments. The international community has recognized that civil society organizations play a very important independent role as advocates of human rights, social justice and environmental sustainability, as well as in shaping development policies and in overseeing their implementation. The governments of BRICSAMIT countries now hold important positions as rising global powers, but civil society in our countries has not been able to emerge in the same way, and in some cases is increasingly restricted.

**As such, we call on the governments of Brazil, China, India, Indonesia, Mexico, Russia and South Africa to:**

- Recognize civil society as an important stakeholder in the debate on curbing extreme inequality and progressing towards more inclusive and sustainable societies. Civil society brings the vital firsthand perspectives of people who experience poverty and marginalisation, as well as analysis of policy responses, and knowledge of what works and what does not work in terms of reducing inequality.
- Re-frame the economic development model, and ensure that public interest, protection of human rights and reducing inequality forms the core of the developmental agenda. This applies both within our own countries but also in terms of the investment and cooperation model our countries are increasingly engaged in overseas, particularly in low-income countries.
- Reform the regulatory environment, particularly around transparency in government. We need measures that restrict conflict of interest; to decouple business from campaign financing; cooling periods to close revolving doors between big business and government; and binding disclosure of personal gains and contributors – as well as the proper enforcement of these regulations.
- Strengthen tax systems by filling loopholes for tax evasion and aggressive tax planning; increasing top income tax levels; and revising tax incentives for large corporations.
- Recognize the problem of rapidly increasing wealth inequality, and thus apply a high-threshold wealth tax, in the form of inheritance tax, or a tax on capital gains. Such a tax would have considerable redistributive impacts, as well as fill the public accounts, which in turn provide resources for more effective social policies and provision of public services.
- In order to enhance well-being across society and to reduce inequality, ensure there are more concerted efforts to provide public health care, education and social protection, allowing access for everybody, particularly those who have been excluded in the past.

# Notes

<sup>1</sup> There is discussion about whether basing poverty-reduction achievements on measurements of those living on less than \$1.25 per day is adequate. Indeed in most of the BRICSAMIT countries, the cost of living, particularly in cities is comparable to high income countries in Europe or North America.

<sup>2</sup> World Bank (2015) World Development Indicators. <http://data.worldbank.org/data-catalog/world-development-indicators> (last accessed August 2015) <http://data.worldbank.org/data-catalog/world-development-indicators> (last accessed August 2015)

<sup>3</sup> *Ibid.*

<sup>4</sup> These numbers are based on household survey data, which significantly understate actual concentration at the top.

<sup>5</sup> These numbers are based on tax data, which is more accurate in estimating top incomes compared to the data obtainable from household surveys used so far.

<sup>6</sup> G. Esquivel. (2015), 'Desigualdad Extrema en México. Concentración del Poder Económico y Político', [http://cambialas-reglas.org/images/desigualdadextrema\\_informe.pdf](http://cambialas-reglas.org/images/desigualdadextrema_informe.pdf) (last accessed August 2015)

<sup>7</sup> Because many poor people have virtually no wealth at all, the distribution of wealth is always much more unequal than that of income.

<sup>8</sup> Credite Suisse (2014). 'Global Wealth Report 2014', <https://publications.credit-suisse.com/tasks/render/file/?fileID=60931FDE-A2D2-F568-B041B58C5EA591A4> (last accessed August 2015)

<sup>9</sup> *Ibid.*

<sup>10</sup> IMF (2014) World Economic Outlook Database, October 2014, <https://www.imf.org> (last accessed August 2015)

<sup>11</sup> Forbes (2015) 'The World's Billionaires', <http://www.forbes.com> (last accessed August 2015)

<sup>12</sup> This is not an exhaustive list; the basis of extreme wealth also includes inheritance and related laws, tax systems weighted in favour of the rich and other institutional biases

<sup>13</sup> RT (2013) 'Russia's Richest: Forbes publishes billionaire list', RT Question More 18 April 2013, <http://rt.com/business/russias-richest-billionaire-forbes-list-059/> (last accessed August 2015) (RT 2013)

<sup>14</sup> N. Thompson (2012) 'International campaign finance: How do countries compare?', CNN 5 March 2012, <http://edition.cnn.com/2012/01/24/world/global-campaign-finance/> (last accessed August 2015)

<sup>15</sup> T.C. Boas, F.D. Hidalgo and N.P. Richardson (2014) 'The Spoils of Victory: Campaign Donations and Government Contracts in Brazil', *The Journal of Politics*, Vol. 76, No. 2, April 2014, pp. 415

<sup>16</sup> D. Adler (2015). 'The Revolutionary Election That Wasn't', *Jacobin Magazine* 22 June 2015, <https://www.jacobinmag.com/2015/06/mexico-election-pri-nieto-ayotzinapa/> (last accessed August 2015)

<sup>17</sup> Boas *et al.* (2014) *op. cit.*

<sup>18</sup> J. Watts (2014). 'Dilma Rousseff pledges unity after narrow Brazil election victory', *The Guardian* 27 October 2015, <http://www.theguardian.com/world/2014/oct/26/brazil-re-elects-dilma-rousseff-president> (last accessed August 2015)

<sup>19</sup> D. Estevez (2014) 'Real Life Mexican Soap Opera: Broadcaster Televisa Gave Two Homes To The First Lady', Forbes 14 November 2014, <http://www.forbes.com/sites/doliaestevez/2014/11/14/real-life-mexican-soap-opera-broadcaster-televisa-gave-two-homes-to-the-first-lady/> (last accessed August 2015)

<sup>20</sup> A. Shukla (2014) 'It's official: Mukesh Ambani's Reliance Industries now controls news broadcaster Network18 Group', The Financial Express 30 May 2014, <http://archive.financialexpress.com/news/its-official-mukesh-ambanis-reliance-industries-now-controls-news-broadcaster-network18-group/1255468> (last accessed August 2015)

<sup>21</sup> M. Grimm, K. Harttgen, S. Klasen, M. Misselhorn, T. Munzi and T. Smeeding (2009) 'Inequality in Human Development: An Empirical Assessment of 32 Countries', Luxembourg Income Study Working Paper Series no. 519, <http://www.lisdatacenter.org>

<sup>22</sup> These numbers are based on the countries' current life expectancy as of 2014.

<sup>23</sup> The Economist (2015) 'An hereditary meritocracy', 24 January 2015, <http://www.economist.com/news/briefing/21640316-children-rich-and-powerful-are-increasingly-well-suited-earning-wealth-and-power> (last accessed August 2015)

<sup>24</sup> Ciudadanosenred (2011) 'Mejores escuelas DF, Zona Norte', <http://ciudadanosenred.com.mx/zona-norte/> (last accessed August 2015)

<sup>25</sup> Grimm *et al.* (2009) *op. cit.*

<sup>26</sup> UNDP (2014) 'Human Development Report Statistical Table 2014', <http://hdr.undp.org/en/data> (last accessed August 2015)

<sup>27</sup> World Bank (2015) World Development Indicators, <http://data.worldbank.org/data-catalog/world-development-indicators> (last accessed August 2015). Only in Russia and China are these numbers lower, 16% and 18%, respectively.



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