

Inequality, Poverty and a 'Human Economy'

Written by Richard Dodgson

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RICHARD DODGSON, MAR 17 2017

When influential charity Oxfam published its report, "An Economy for the 1%", it was well timed to coincide with 2017's January meeting of the world's rich and powerful at the Swiss ski resort of Davos.

Oxfam's findings were widely discussed, including in a weekly news magazine aimed at eight to 14-year-olds. Much of this discussion focused on the report's headline statistics, which told us most strikingly that "since 2015, the richest 1% has owned more wealth than the rest of the planet". Or that the eight richest men in the world own as much wealth as 3.6 billion people – about half of the world's population. It also pointed out that the incomes of the poorest 10% increased by less than US\$3 a year between 1988 and 2011, while the incomes of the richest 1% increased 182 times as much.

These figures are certainly startling. But in response, the Adam Smith Institute questioned Oxfam's interpretation of the existing data and its focus on the wealth of the rich rather than the welfare of the poor. Growth in the income of those at the bottom, the related reduction in global poverty and improvements in life expectancy, were the key issues for the economic think tank.

The Adam Smith Institute is quite right to highlight the progress that has been made in reducing global inequality and poverty. There are dissenting voices, but the gap between the global rich and the global poor is closing. As the expert on global inequality Branko Milanovic notes, since 2000, and for the first time in modern history, global inequality has been on the wane.

The overall level of global inequality, however, remains alarmingly high, as does income inequality within nations. Income inequality in the member states of the Organisation for Economic Cooperation and Development (OECD) for example, "remains at record high levels despite improving employment rates. The picture outside of the OECD is similar". Economic growth in countries such as India, China and Brazil, has been rapid, but not inclusive.

According to the World Bank, the economic development of India and China, together with Indonesia, has contributed significantly to a reduction in the number of people living globally in extreme poverty; now less than 800 million, or 10.7% of the world's population. Since 2008, income inequality within countries has declined in more countries than it has increased. However, the position of those people that have been lifted out of extreme poverty is precarious. The most disadvantaged people globally, specifically women and children, have benefited little from recent progress. They remain trapped in extreme poverty.

The threat posed by inequality to the goal of ending extreme poverty by 2030 has been well highlighted. So too, has the relationship between inequality, poverty and the "global public bads" of climate change, pandemics and conflict. The threat posed by inequality to the future of capitalism and the fabric of democratic society has also been recognised. So, while there has been significant progress in reducing both global inequality and global poverty, the future is uncertain and there is still work to do.

A 'human economy'

The World Bank suggests six strategies for reducing global inequality and poverty. These include: universal health

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coverage, access to quality education, cash transfers to poor families and progressive taxation. Oxfam posits that a fundamental rethink of the relationship between government and market, and a move away from neoliberal capitalism, with its emphasis on open markets, low taxes and capital mobility, is needed. In its place, they propose a "human economy", at the heart of which is society and a strong accountable government that works for all, not just the 1%.

The proposals of the World Bank and Oxfam are not incompatible. A strong and accountable government, rather than markets, is needed to ensure that education, health and hi-tech infrastructure are available to all as public goods. Progressive taxation is also a central feature of a human economy as a means of bringing about an end to extreme inequalities in wealth and income.

Oxfam's sketch of a human economy reminds us that there are more inclusive models of capitalism and alternatives to neoliberalism. Given that economics is often discussed in an abstract manner, any effort to get people (including the young) to think about the nature of the economy and how the economy impacts upon society is welcome.

If we are to tackle the issue of inequality and related problems, we need more public discussion of these issues. Brexit and the election of President Trump have been described as turning points – an opportunity to make deals. We need to take these opportunities. Creating a "new deal", could ensure that our eight to 14-year-olds get the chance to live in a society that is more fair, just and sustainable than what we have now.

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Richard Dodgson is a lecturer in international politics and director of the postgraduate teaching programmes in Politics at Newcastle University. His research interests are in the areas of international political economy and global governance.