Panel: Rising Inequality in Asia and Role of Fiscal Policies to Reduce Inequalities

‘Economic inequality is rapidly increasing in a majority of countries. The wealth of the world is divided in two: almost half going to the richest one percent; the other half to the remaining 99 percent. The World Economic Forum has identified this as a major risk to human progress. Extreme economic inequality and political capture are too often interdependent. Left unchecked, political institutions become undermined and governments overwhelmingly serve the interests of economic elites to the detriment of ordinary people. Extreme inequality is not inevitable, and it can and must be reversed quickly’ (Fuentes-Nieva and Galasso 2014, p. 1).

‘There is an emerging concern that rising income and wealth inequalities have social and economic costs. Its link to violence, political instability, social fragmentation, cannot be ruled out’ (The News Tribe 2014). Society and politics which are fair and provide equal opportunities can advance by bringing peace, social cohesion and use of collective wisdom.

‘In November 2013, the World Economic Forum released its ‘Outlook on the Global Agenda 2014’, in which it ranked widening income disparities as the second greatest worldwide risk in the coming 12 to 18 months. Based on those surveyed, inequality is ‘impacting social stability within countries and threatening security on a global scale….Some economic inequality is essential to drive growth and progress, rewarding those with talent, hard earned skills, and the ambition to innovate and take entrepreneurial risks. However, the extreme levels of wealth concentration occurring today threaten to exclude hundreds of millions of people from realising the benefits of their talents and hard work’ (Fuentes-Nieva and Galasso 2014, p. 2).

‘Extreme economic inequality is damaging and worrying for many reasons: it is morally questionable; it can have negative impacts on economic growth and poverty reduction; and it can multiply social problems. It compounds other inequalities, such as those between women and men. In many countries, extreme economic inequality is worrying because of the pernicious impact that wealth concentrations can have on equal political representation. When wealth captures government policymaking, the rules bend to favour the rich, often to the detriment of everyone else. The consequences include the erosion of democratic governance, the pulling apart of social cohesion, and the vanishing of equal opportunities for all. Unless bold political solutions are instituted to curb the influence of wealth on politics, governments will work for the interests of the rich, while economic and political inequalities continue to rise. As US Supreme Court Justice Louis Brandeis famously said, ‘We may have democracy, or we may have wealth concentrated in the hands of the few, but we cannot have both’ (Ibid. 2014, p. 2).

‘Left unchecked, the effects are potentially immutable, and will lead to ‘opportunity capture’ – in which the lowest tax rates, the best education, and the best healthcare are claimed by the children of the rich. This creates dynamic and mutually reinforcing cycles of advantage that are transmitted across generations. Given the scale of rising wealth concentrations, opportunity capture and unequal political representation are a serious and worrying trend. For instance:

- Almost half of the world’s wealth is now owned by just one percent of the population.
- The wealth of the one percent richest people in the world amounts to $110 trillion. That’s 65 times the total wealth of the bottom half of the world’s population.
The bottom half of the world’s population owns the same as the richest 85 people in the world.
Seven out of ten people live in countries where economic inequality has increased in the last 30 years.
In the US, the wealthiest one percent captured 95 percent of post-financial crisis growth since 2009, while the bottom 90 percent became poorer’ (Ibid. 2014, p. 2-3).

This dangerous trend can be reversed. The good news is that there are clear examples of success, both historical and current. The US and Europe in the three decades after World War II reduced inequality while growing prosperous. Latin America has significantly reduced inequality in the last decade – through more progressive taxation, public services, social protection and decent work. Central to this progress has been popular politics that represent the majority, instead of being captured by a tiny minority. This has benefited all, both rich and poor’ (Ibid. 2014, p. 3).

This panel will:
- continue discussion/discourse that inequality is a major development challenge of the region;
- focus on solution and emphasize that fiscal policies [both taxation and expenditure] can play an important role in reducing inequalities.

Some of the questions that will be debated during the session include:
1. Underlying causes of inequalities in Asia and breaking the myth that inequality is a result of economic growth and will automatically disappear as countries grow which is proving wrong in case of South East Asian economies.
2. Inequality is a major hurdle in poverty alleviation and if Asia wants to end extreme poverty by 2030 it must reduce all types of inequalities especially economic and gender disparities.
3. Public policy choices related to fiscal measures including fair taxation and adequate spending on education, health and social protection have been proven to reduce inequalities, hence, solutions are available and need pro-active government response.

References:


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