

Get a grip on inequality, leaders urged in run-up to Davos ^[1]

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EXCERPTS

The world's political and business elite are being urged to do more than pay lip service to growing inequalities around the world as they head off for this week's World Economic Forum in the Swiss ski resort of Davos.

Two reports published Monday, from Oxfam and public relations firm Edelman, warned that the widening gap between the haves and have-nots since the global financial crisis is undermining a decades-long effort to reduce global poverty and fueling the rise of populist politicians.

According to Oxfam, the scale of the problem is increasingly stark: just 62 people, it says, own the same wealth as half the planet. The compares with 388 people just five years ago, when the global economy was just emerging from its deepest recession since World War II.

The theme of this year's Davos gathering is the "fourth industrial revolution" — caused by fast and broad innovations in areas like robotics, driverless cars, 3-D printing and biotechnology. WEF founder Klaus Schwab, in an Associated Press interview in Davos, said it could widen the gap between rich and poor.

"It's my biggest concern, because the fourth industrial revolution will even increase the inequality which we have," Schwab said, adding: "Those who are entrepreneurs, who have talents, will push innovation — will gain from the revolution — and those who are on the other side, particularly in service positions, will lose."

While the wealth of the poorest half of the world's population — more than 3.6 billion people — has fallen by a trillion dollars, or 41 per cent, since 2010, Oxfam said in its report that the wealth of the super-elite has risen by around half a trillion dollars.

Though acknowledging that dealing with inequalities has become a part of discussions in Davos, Oxfam said it's time for leaders to do more than just acknowledge the problem, especially if they want to hit poverty-reduction targets.

"It is simply unacceptable that the poorest half of the world's population owns no more than a few dozen super-rich people who could fit onto one bus," said Winnie Byanyima, Oxfam International Executive Director, who will again attend Davos, having co-chaired last year's event.

Tax havens, she said, are at the core of the rigged system that allows big corporations and wealthy individuals to avoid paying their fair share of tax.

"I challenge the governments, companies and elites at Davos to play their part in ending the era of tax havens, which is fuelling economic inequality and preventing hundreds of millions of people lifting themselves out of poverty," said Byanyima. "Multinational companies and wealthy elites are playing by different rules to everyone else, refusing to pay the taxes that society needs to function."

Oxfam reckons around \$7.6 trillion of individuals' wealth sits offshore, around 12 per cent of the total, and that around \$190 billion could be made available for poverty-fighting initiatives if tax were paid on that wealth. Closing the loopholes, which Oxfam says are used by nine out of ten of the WEF's sponsoring corporations, will help governments meet their goal of eliminating extreme poverty by 2030.

Over the past few years, those voicing concerns over growing inequalities have increased. Even the International Monetary Fund has warned of the perils to growth stemming from this gap.

According to Edelman, inequalities within society are already driving political change and that could put a break on economic potential.

In its annual survey of trust levels around the world, it found the largest-ever gap between the views of highly educated people and those with fewer years of schooling, driven by a disparity in income.

Edelman found general level of trust in institutions — government, business, media and non-governmental organizations — among college-educated people around the globe up 4 percentage points at 60 per cent, its highest level in the survey's 16 year-history. For the wider public, Edelman's trust gauge was up 2 percentage points at 48 per cent.

It noted that the U.S. has the biggest disparity in trust within its population, followed by Britain and France. Edelman's online survey of 33,000 plus respondents in 28 countries, was conducted between Oct. 13 and Nov. 16, 2015.

"We are now observing the inequality of trust around the world," said Richard Edelman, the president and CEO of Edelman. "This brings a number of potential consequences including the rise of populist politicians, the blocking of innovation and the onset of protectionism and nativism."

Around the world, there's been a groundswell of support for what were previously considered fringe political leaders and parties. Edelman noted the rise of Donald Trump, who is in a seemingly strong position in the race to be the Republican Party's candidate in the presidential election this fall, the politics of many countries are in flux.

Spain has seen the anti-austerity Podemos party perform strongly in last month's general election, while polls suggest that Marine Le Pen, leader of the far-right Front National in France, could be contesting the presidential runoff next year.

Edelman said that following the global financial crisis and global recession, most of the income gains have gone to the better-off, who have also benefited from low mortgage rates and rising house prices.

For those lower down the income scale, Edelman said the years since have been marked by a growing sense of insecurity and anger. Bad behaviour by banks, politicians and even the likes of German car giant Volkswagen further eroded trust.

"The trust of the mass population can no longer be taken for granted," said Edelman.

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Region: International [3]

Tags: inequality [4]

equity [5]

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<https://childcarecanada.org/category/region/international> [4] <https://childcarecanada.org/category/tags/inequality-0> [5]

<https://childcarecanada.org/category/tags/equity>