Inequality hits Davos

By Winnie Byanyima
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Sixty-two. That is how many of the world's wealthiest people own as much as the poorest 3.6 billion, down from 388 people in 2010. This shocking figure has made the rounds at this week's annual meeting of the World Economic Forum (WEF) in Davos, as political and business leaders debate how to improve the state of the global economy. The question is whether the global elite attending Davos will take action to combat damagingly high (and growing) economic inequality.

World leaders have been worried about the rise in inequality for several years now; last September, they agreed to a Global Goal to reduce it. Yet the gap between the richest and the rest has continued to grow. This time last year, Oxfam predicted that the wealth of the top 1% would overtake that of the rest of the population by 2016; that milestone was reached two months ahead of schedule.

The longer we wait to take action, the more serious the consequences will be. Economic inequality is a corrosive force that undermines economic growth, hampers the fight against poverty, and sparks social unrest. In 2012, the WEF's global risk report highlighted severe income inequality as the single greatest threat to social and political stability. Oxfam estimates that, without strong efforts to tackle inequality, the much-heralded goal of eradicating extreme poverty by 2030 will be impossible to reach.

The very real damage inequality does to people's lives is evident across the globe. For example, garment workers in Myanmar told Oxfam that, even with overtime, they could not afford housing, food, and medicine. At the other end of the retail chain, the CEO's of the clothing companies enjoy multimillion-dollar pay deals.

As World Bank President Jim Yong Kim noted last year, wealth is not trickling down; it is being sucked up by a powerful – and very small – minority. And this is not a blip; it is hard-wired into our economies. Today's global inequality crisis is the result of 30 years of unchecked deregulation, privatization, financial secrecy, and globalization.

Large companies and wealthy individuals use their power and influence to capture and retain an ever-increasing share of the benefits of economic growth, while the poorest get by on a persistently shrinking piece of the pie. Over the last five years, the wealth of those richest 62 people on the planet has increased by a staggering $542 billion, or 44%, while the poorest 3.6 billion people have lost over a trillion dollars, or 41% of their wealth.

In this context, tackling inequality will require fundamental changes to the way we manage our economies. Action must be taken to ensure that all workers receive a living wage; more progressive tax systems must be introduced; governments must increase spending on public services; policymaking must be more transparent; and financial regulations must be strengthened.

One particularly urgent step must be the elimination of tax havens. By allowing super-wealthy corporations and individuals to avoid paying their fair share of taxes, tax havens are denying governments revenue that could and should be spent on schools, health care, and other essential services. Almost a third of all African financial wealth – a total of $500 billion – was held offshore in tax havens in 2014, costing African countries an estimated $14 billion per year in lost tax revenues. This is enough money to pay for health care that could save the lives of four million children on the continent and employ enough teachers to get every African child into school.

G-20 governments agreed on steps to curb tax dodging by multinational companies last year. But these measures largely ignore the problems posed by tax havens, and do little to help poor countries claim their fair share of taxes. With tax havens becoming an ever more common way of doing business – 109 of the WEF's 118 partners have a presence in at least one tax haven – it's time to put a stop to this practice.

That is why I am pressing political leaders, CEOs, and other participants at Davos this year to act. I'm asking wealthy individuals and business leaders to commit to bringing their money back onshore, and I will urge politicians to work together to agree on a robust new global approach to end the era of tax havens.

After years of talk about income inequality, the WEF's annual meeting should be a moment for action. Participants must recognize that helping the poorest get a foot on the ladder also means stopping the extremely wealthy from pulling it up behind them. If the men and women in Davos take strong action to address tax havens, 2016 can be a turning point, when we begin to create a new global economy that works for the majority – not just the top 62.

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