

# The View from Deprivation: Poverty, Inequality, and the Distribution of Wealth

Deborah S. Rogers\*, Bálint Balázs\*\*

\* Stanford University, Institute for Research in the Social Sciences; Initiative for Equality;  
email: deborah.rogers@initiativeforequality.org

\*\* St István University, Institute of Nature Conservation and Landscape Management, Environmental Social  
Science Research Group, Hungary; email: balazs.balint@essrg.hu

## Introduction

*“...the gap between the rich and poor is observed to be increasing with time. The causes given to us were corruption and exploitation of the poor by the rich in various forms.”* (India) (D.S. Rogers, 2012)

In a series of Field Hearings held in communities around Bhopal, India, meeting conveners were told by people that their poverty was caused by decisions and actions of the privileged (Rogers, 2012). People in various poverty-stricken communities across Asia and Africa provided similar explanations. Academics and policy analysts tend to ignore this evidence, generating studies instead on the perverse incentives created by provision of assistance, the entrenched culture of poverty, spatial clustering of reduced opportunity, the natural probabilistic distribution of income, the education gap, the technology gap, health disparities, deficits in social capital, and even alleged innate differences in IQ.

But what if the people who spoke at these Field Hearings are right?

In this chapter we consider the possibility that the people living in these poverty-stricken communities are telling us something fundamental: that the decisions and actions of those with money is a primary cause of inequality, poverty, and impeded development. By this interpretation, we would predict the following:

1. We expect to see positive correlations between poverty and economic inequality - over time and space.
2. We expect that reductions in poverty would occur when reductions in economic inequality (e.g. redistributions) take place.
3. We expect to observe clear mechanisms by which those with wealth perpetuate or enhance levels of inequality and poverty.

In this chapter, we first present qualitative information contributed by people who experience poverty, identifying mechanisms by which the unequal distribution of wealth adds up to generate poverty. We then look at a number of key studies through this lens, concluding that there is clear evidence for the three predictions above, and thus that such interpretation has important explanatory power. Finally, we suggest the implications of this for crafting post-2015 Sustainable Development Goals which would be more effective at reducing poverty and promoting sustainable development.

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## **Bringing in Community Perspectives**

Those who have the most to lose often have the least power to influence research and policy processes. But is it legitimate to bring the perspectives of non-researchers – the subjects themselves – into research addressing policy-related questions? A relatively recent literature on transdisciplinary research, participatory assessments, and participatory action research suggests that it is not only legitimate, but necessary to meaningful research. Literature on policy analysis increasingly shows that by bringing in the public through participatory and deliberative approaches, policy-making can be successfully influenced by those who are living in poverty, marginalized or excluded. In recent decades participatory methods have become popular in poverty analysis and assessments initiated by NGOs, governments and multinational agencies, and have also occupied the mainstream of development practice to some degree. However, they have only partially succeeded in giving voice to those in poverty.

Approaches such as Participatory Assessments (PA), Participatory Rural Appraisal (PRA), Rapid Rural Appraisal (RRA) and Participatory Action Research (PAR) have become, according to Chambers, a growing family of methods that enable local people to share, enhance and analyze their knowledge, and to plan and act (Chambers, 1997). In such approaches, local realities are captured through local people's perspectives, and are debated in constructive dialogues among stakeholders along issues of common concern. This requires a complete reversal in attitude by the researcher, moving away from the 'cult of expertise' that reproduces social inequalities. According to Chambers, "self-critical epistemological awareness" is needed for the researcher to act as a facilitator in local knowledge settings (Chambers, 1997). The emphasis in participatory arrangements is on how to create communicative arenas open to all stakeholders, and particularly to powerless lay-members of local communities, in order to arrive at collective and mutual understanding (Meppem & Gill, 1998). Collaborative actions are generated through engagement with all aspects of the research, from problem structuring to reporting (Balázs, Bela, Bodorkós, Milánkovics, & Pataki, 2005).

Transdisciplinary research, like participatory research, brings disciplinary researchers and local actors together in a collaborative process. Meaningful cooperation requires strong social and communication skills to integrate different perspectives and action domains. According to Pohl and Hadron, transdisciplinary research is defined by the need to grasp the complexity of problems, to take into account the diversity of life-world and scientific problem- perceptions, to link abstract and case-specific knowledge, and to develop knowledge and practices that promote what is perceived to be the common good (Pohl & Hadorn, 2008). In this context, transdisciplinary research proves to be useful in producing normative and practice-oriented knowledge to solve complex life-world problems.

Most participatory research focuses on public health, education, food security and poverty reduction, offering effective and acceptable policy instruments for national and local contexts. Such participatory policy-focused research helps to uncover how social reality is lived and resisted on the grassroots level; therefore policies are considered more transformative than are simple technocratic interventions. Criticisms of participatory arrangements most often point to the lack of principled theory, which implies that practitioners do what they believe will work in various contexts. Structural inequalities and existing institutional and power relations are often blamed, because local realities cannot be readily reconciled with the ideal of broad and equal participation (Bodorkós & Pataki, 2009). Binary opposites such as local/global and state/civil society need to be overcome in order for participatory arrangements to be relevant (Mohan & Stokke, 2000).

According to Pretty, in such arrangements participation must be considered a right – not a tool to achieve research goals (Pretty, 1995). Participation in interactive forms builds on self-mobilization, and results in participatory learning processes where groups take control over local decisions, determining how resources are used or how they can have a stake in maintaining practices. A central criticism of

participatory arrangements relates to the role of research itself, and to the defined role of researcher, who at some point must inevitably implement the value-laden process of problem structuration and synthesis of the research.

Another potential problem is the influence of local representation that shapes participatory research; in other words, how to break away from prevailing local structural inequalities through a participatory process which is designed around consensus-building (Chambers, 1997). According to Bodorkós and Pataki, hindrances in creating communicative spaces equally open to all can be traced back to the difficulties of changing historically-rooted, paternalistic relationships between local people and local establishments, and the lack of a sense of self-efficacy and self-confidence of marginalized people in expressing their wants (Bodorkós & Pataki, 2009). Bina Agarwal's work on participatory exclusion argues that hierarchical and patriarchal structures within communities create an environment where "the poor" may appear to be consulted, but actually cannot express their genuine views as that would subsequently endanger their situation in the community (Agarwal, 2001).

The most prominent and extensive research that emphasized the participatory assessment methodology is the "Voices of the Poor" project, undertaken by the World Bank in the 1990s (Narayan, 2000; Narayan, 2002; Narayan, Shah & Petesch, 2000). The 23-country study compiled interviews from over 60,000 people (in some cases taken from other sources) through Participatory Poverty Assessments (PPA). Key findings that emerged from the project include the following:

People living in poverty feel they have been bypassed by new economic opportunities. Access to markets and/or links to higher levels of society are hindered by their powerlessness and lack of resources for fair participation. But they view well-being holistically: poverty is much more than income alone. For them, the good life or well-being is multidimensional, with both material and psychological dimensions. People in poverty care about many of the same things all of us care about: happiness, family, children, livelihood, peace, security, safety, dignity, and respect (World Bank, 2000).

Health care is reported as unavailable or too expensive. Education received by young people is inadequate. Gender inequity is widespread, domestic violence pervasive and gender relations stressed: loss of traditional male "breadwinner" and female "caretaker" roles (because of changing economic circumstances) is traumatic for both genders, and family breakdown, domestic violence and increased alcoholism among men are often mentioned (World Bank, 2000).

According to the findings, insecurity has increased and violence is on the rise, both domestically and in the society. A majority of people living in poverty feel they are worse off and more insecure than in the past. Corruption is a key issue: they want governments and state institutions to be more accountable to them. From their perspective, corruption, irrelevance, and abusive behavior ruin the formal institutions of the state (World Bank, 2000).

## **The Equity & Sustainability Field Hearings**

The Equity and Sustainability Field Hearings Project updates results of the "Voices of the Poor" project, focusing more directly on equality and equitable development. A global collaboration between academics, NGOs, and local communities, the project has worked to ensure that voices from poor and marginalized communities are included in discussions such as the Post-2015 Sustainable Development Goals process (Rogers et al., 2014). As argued in "Whose reality counts?" (Chambers, 1997), sustainable well-being is only possible if shaped from the bottom up. Instead of conducting research on how to achieve sustainable societies – which assumes that researchers know the goals of such a process – the Field Hearings seeks input from local community members on what their goals would be.

## **Perspectives from Field Hearings Community Participants**

(D.S. Rogers, 2012)

“The level of inequality has increased drastically over the years, which has led the well-being of people at poverty level to a much worse situation.” (Bangladesh)

“The privileged group believes it is their divine right to possess all they want. Deprived groups are left in a helpless situation and cannot escape it without monetary help, which is only accessible from wealthy people. Unfortunately, privileged and rich people are only concerned about their own situation and what they ‘need’.” (Kyrgyzstan)

“They complained that the rich are not creating a favorable environment for the poor to graduate from one level to another economically...The participants also complained about the greedy mind of the politician, on accumulating riches on their own at the expense of the poor people.” (Malawi)

“They do not feel they have chance to influence the decision-making.” (China)

“Corruption, poor governance, wrong economic policy, and political unwillingness are responsible for the wealth inequality and income disparity. This also works as an obstacle to economic progress and social harmony and happiness.” (Nigeria)

“Negative discrimination, as a direct link to human rights violations, appears in every aspect of life; especially in employment and education, as well as in the relationship with the public service providers.” (Hungary)

“They attribute this to the ability of rich to access better services such as health and education; engagement of the rich in activities that make worse the conditions of the poor such as land grabbing, and degradation of wetlands which would support the livelihoods of the poor; public opinion by the poor often being ignored in planning and decision-making; and unfair competition.” (Uganda)

In early 2012, following a broad call for partners, *Initiative for Equality*<sup>1</sup> embarked on this global project along with 18 local academic and civil society organizations (Rogers, 2012). Field Hearings were conducted in 34 communities in Bangladesh, China, India, Kyrgyzstan, Mauritius, the Philippines, Malawi, Nigeria, South Africa, Uganda, Hungary and Scotland. Project participants jointly developed a questionnaire or reporting template in English, which local partners then translated and modified to be appropriate for their own communities. Using public meetings, focus groups, or individual interviews (depending on what worked best for each community), respondents were asked to assess trends in their community (for health, education, the economy, politics, conflict, families, happiness, circumstances for women and other areas); speculate about the causes of these trends; propose changes needed for their community to become sustainable; describe how privilege and deprivation work in their community; and articulate their wishes for the future of their family and community.

The preliminary results, based on interviews, focus group discussions and public hearings with over 2,700 individuals, provided a surprisingly uniform view of inequality and how it operates in the lives of the those living in poverty (Rogers, 2012). The gap between wealthy and poor was seen by most Field Hearings participants as increasing. Many expressed concern that growing inequality wipes out any gains made in economic development. Almost every community worried about the growing lack of economic security: jobs are difficult to find and may not last. Economic opportunities are scarce and generally available only to those with connections. Young people do not feel hopeful about their economic future.

The wishes articulated by most respondents were straightforward, basic, and sustainable – not acquisitive (Rogers, 2012). They want stable incomes and a secure future, with food, health care, and education for their children; responsive and accountable governments that work to create opportunities for all, regardless of ethnicity or economic class; and access to opportunities and decision-making.

What did community members have to say about poverty and inequality? Those with wealth are viewed as having access to political decision-making, which they use to create further economic opportunities for themselves (Rogers, 2012). Some cited racial or ethnic discrimination as a root cause of these problems, while others blamed “selfishness” by the rich, or the relationship between political power and business opportunities. Corruption and a lack of accountability and transparency on the part of government officials were said to deprive lower income groups of economic opportunities, even when funds have been allocated on their behalf. This is seen as a primary way in which inequality is perpetuated. Furthermore, lack of trust and unity among community members blocks the collaboration necessary for effective problem resolution and new approaches to development and sustainability.

## **Global and Regional Poverty**

This, then, is what participatory research tells us. How does this tally with hard data on poverty and inequality?

Globally, the total poverty headcount and rate are down from that of several decades ago. According to data released in 2012 by the World Bank’s Development Research Group, 1.29 billion people or 22% of the developing world’s population lived on \$1.25 or less a day in 2008, down from 1.94 billion or 52% in 1981 (World Bank, 2012). Preliminary estimates indicate that this number may have fallen to 1.2 billion people by 2012 (Ravallion, 2013).

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<sup>1</sup> *Initiative for Equality* (IFE) is a global network of advocates, academics, and community members working together to ensure that poor, socially excluded, and marginalized communities are empowered to participate in sustainable development dialogues, decision-making, and follow-up monitoring for accountability (<https://www.initiativeforequality.org/>).

Much of this reduction of extreme poverty took place in China, which had 663 million fewer people living on less than \$1.25 a day in 2008 than 1981 (World Bank, 2012). However, even the picture in China is not completely rosy. While rural poverty was falling, studies showed that urban poverty rose during the massive influx of rural migrants to work in urban areas. Even so, it is likely to be an underestimate of urban poverty because these migrants are not counted in the urban census (Meng, Gregory, & Wang, 2005).

Excluding China, the total extreme poverty headcount has not improved. The headcount in all other developing countries was around 1.1 billion people in 2008, roughly the same as in 1981, though the number had risen and then fallen since 1999 (World Bank, 2012). More people fell into poverty in South Asia over this period, despite India's rapid economic growth over the past decade (Broad & Cavanagh, 2012). The Asian Development Bank has found that extreme poverty in Asia is not adequately captured at \$1.25/day (Asian Development Bank, 2014:10). At the \$1.25/day poverty line there are about 733 million people in extreme poverty in Asia, but using the more realistic \$1.51/day cutoff raises the extreme poverty rate for to 49.5% or 1.75 billion people (Asian Development Bank, 2014:11). The share of the population living on less than \$2 a day in South Asia declined since 1990 to about 40% in 2011, but not sufficiently to reduce the absolute number of poor, which has risen steadily between 1987 and 2011 (Bigsten & Levin, 2005; ESCAP, 2014:14). Throughout the Asia-Pacific region, an additional 933 million people are living on \$1.25-\$2 a day since 1990 (ESCAP, 2014:14).

Sub-Saharan Africa reduced the \$1.25-a-day poverty rate to an estimated 47% of total population in 2008, and has experienced falling absolute numbers of the extreme poor since 2005, reversing a long-run increase since 1981 (World Bank, 2012). Resource-rich African nations experienced high rates of economic growth, especially from 2000-2011 (Africa Progress Panel, 2013). Several African countries successfully reduced the poverty rate; however, others saw level or worsening poverty rates (Africa Progress Panel, 2013).

The Middle East and North Africa region as a whole made substantial reductions in both the poverty rate and headcount over the past two decades. According to the World Bank's PovCal data calculator (World Bank, 2013a), the number of people in the Middle East and North Africa region living on under \$2/day was 52.9 million in 1990 (23%) and 39.9 million in 2010 (12%).

In Latin America the poverty rate now appears to be significantly lower. An initially high poverty rate, estimated at around 65% in 1950, fell to only 25% by 1980 (Berry, 1997). From 1982 through 1993, however, the overall number of persons living in poverty in Latin America increased from 78 to 150 million (Londono & Szekely, 1997). The resumption of moderate economic growth in the 1990s resulted in some progress in reducing poverty (particularly in urban areas). The World Bank's PovCal data calculator (World Bank, 2013a) indicates that the number of people in Latin America living on under \$2/day was 97.6 million in 1990 (22%) and 60.6 million in 2010 (10%).

Updated figures from the Economic Commission for Latin America and the Caribbean (ECLAC) are not directly comparable because they calculate poverty using a food basket approach (what does it cost to feed oneself in each country) rather than the common \$1.25/day metric (ECLAC, 2014:54); however, these figures can be compared as to relative trends. ECLAC's figures show that poverty has fallen by 15.7 percentage points since 2002, with extreme poverty also falling significantly (ECLAC, 2014:15). By country, poverty levels measured in 2012 ranged from 4.3% in Argentina to 45.3% in El Salvador (ECLAC, 2014:17). A multidimensional analysis shows that deprivation of essential needs (housing, sanitation, energy, education) affects from around 5% of the population for Chile to around 70% for Nicaragua – thus there are many who are not categorized as poor in terms of income, but are clearly suffering from deprivation (ECLAC, 2014:17).

In Eastern Europe and the former Soviet Union, the poverty rate increased from 4% to about 33% during the transition from communism to capitalism from the late 80s to the early 1990s, representing an increase in headcount of from 15 million to over 100 million at a poverty line of \$4/day (Milanovics, 1995). According to the World Bank's PovCal data calculator (World Bank, 2013a), the number of people in the region living on under \$4/day has now declined from 130.9 million in 1990 (28%) to 55.7 million in 2010 (12%).

While it seems straightforward to present global poverty rates over time, there are serious conceptual problems with these numbers. Most fundamentally, the very concept of poverty as an expression of monetary income can be challenged. Poverty and well-being are now understood to be multidimensional concepts, including financial assets, access to natural resources, political access, social status and acceptance, location and surrounding environment, health, education, security, vulnerability, self-determination and capabilities, empowerment, and social capital (Alkire & Foster, 2011; Chambers, 2007; Rogers et al., 2012). A simple measure of monetary income (or consumption) is a very weak proxy for all of these. Furthermore, the same income, even at purchasing parity, means different things in different places. A small income goes much farther in a country where adequate public social services are provided, or in a natural environment where food, clean water, housing materials and fuel are freely and equitably available (Broad & Cavanagh, 2012). The consumer price index used to calculate purchasing power does not give enough weight to food costs, which are a higher proportion of expenditures for the poor (Cimadamore et al., 2013). Moreover, there are many economic components that do not show up as income at all, including the amount of labor required to earn the income, work outside the monetized economy (often by women), leisure time, and so forth.

The numbers of people in poverty are often presented as averages, but these numbers may hide large movements in the opposite direction (Kanbur, 2005). For example, in Mexico during 1990-94, the decrease in national poverty was composed of a drop in urban areas, but an increase in some rural regions. Population growth also affects absolute poverty: in Ghana, for example, while the incidence of poverty was falling at around 1% per year from 1987-1991, the total population was growing at almost twice that rate, thus the absolute number of poor grew sizably (Kanbur, 2005). Finally, the poverty headcount is very sensitive to the numbers used to define poverty. For example, the number of people below \$1.25/day has dropped by 32.5% between 1990-2008, but numbers below \$2.50 dropped by only 5.3% (Cimadamore et al., 2013). Sensitivity tests also confirm that changes in poverty rates are sensitive to the choice of the poverty line (Naschold, 2005).

## **Global and Regional Inequality**

What do the hard numbers tell us about inequality trends during the past few decades?

Global inequalities between individuals are very high. Calculating global inequalities between the world's individuals, using purchasing power parity rates to assure comparability, results in a Gini coefficient estimate of 70 (Milanovics, 2009). Another way of describing global inequality is to divide the income of the world into two halves: the richest 8% of the people will take one-half, and the other 92% of the population will take the other half (Milanovics, 2012). Between 1988 to 2005, the ratio of the richest 5% to the poorest 25% rose from 185:1 to 297:1 (Cimadamore et al., 2013). The richest 5% of individuals gained an additional 3.49% of income, while the poorest 50% dropped from 3.53% to 2.92% and the poorest quarter dropped from 1.16% to 0.78% (Cimadamore et al., 2013).

As dramatic as these income inequality measures are, studies which include metrics for wealth, such as financial assets, real estate and savings of various kinds, show an even greater level of inequality globally

(Ortiz & Cummins, 2011). The International Labor Organization estimates that the global Gini index based on wealth was 89.2 in 2000, significantly higher than the Gini based on global income (ILO, 2008). According to UNU-WIDER, the top 10% of adults own 85 percent of global household wealth (Davies, Sandström, Shorrocks, & Wolff, 2008). As Piketty's now-famous equation,  $r > g$ , suggests, when the rate of return on capital,  $r$ , significantly exceeds  $g$ , the growth rate of the economy, then wealth will be the more significant determinant of inequality (Piketty, 2014).

Looked at on the regional or national level, inequality has variously risen, fallen, or remained constant. During the 80's and 90s, inequality rose in 48 out of the 73 countries for which sufficient 'high quality' data is available (Cornia & Court, 2001). Forty-six out of 73 countries analyzed had Gini coefficients higher than 0.35-0.40, the threshold beyond which growth and poverty alleviation can be perceptibly affected, while only 29 countries had such high inequality in the early 1980s (Cornia & Court, 2001). In contrast, inequality remained constant in 16 nations including Brazil, India, Bangladesh and Indonesia, and inequality fell only in 9 of the 73 sample countries.

For advanced economies (OECD countries), inequality has generally been on the increase. The Gini coefficient stood at an average of 29 in OECD countries in the mid-1980s, but by the late 2000s it had risen to 31.6 (OECD, 2011). It rose in 17 of the 22 OECD countries for which long-term data series are available (OECD, 2011). Recent data show that the average income of the richest 10% of the population is about nine times that of the poorest 10% (OECD).

In the Asia-Pacific region, income inequality grew between 1990 and 2011 in nearly half the countries with comparable data (ESCAP, 2014:14). The Gini coefficient in China increased from 32.4 to 42.1 as reforms led to economic growth (Dollar, 2007; ESCAP, 2014: 14). In India the Gini rose from 30.8 to 33.9 as growth has bypassed the rural areas where the large majority of the poor live (Cornia & Court, 2001; ESCAP, 2014:14). Indonesia's Gini rose from 29.2 to 38.1, while Gini indices for Malaysia (46.2) and the Philippines (43.0) remain among the highest in the region (ESCAP, 2014:14).

Inequality has variously risen, remained level, or fallen in the nations of Sub-Saharan Africa, starting from initially high levels (Cornia & Court, 2001). Many of the resource-rich African countries are highly unequal by international standards. Data developed by the Brookings Institution for Ghana, Nigeria, Tanzania and Zambia (between 1998-2003 and 2005-2009) show that the income share taken by the richest decile has increased substantially in each case, while the share going to the other deciles has declined (Africa Progress Panel, 2013).

The Middle Eastern and North Africa region has seen some very steep increases in inequality, although this varies from country to country. According to Ortiz and Cummins (Ortiz & Cummins, 2011) using the World Bank's PovCal data calculator (World Bank, 2013a), Algeria rose from a Gini of 38.7 in 1990 to 58.7 in 2005, while Turkey stayed level at just under 44.

Inequality first rose, then declined in Latin America over the past few decades. Following the economic crises of the 1980s, inequality rose from already high levels in virtually all countries of Latin America (Cornia & Court, 2001; ECLAC, 1997). Income inequality has recently fallen in Chile and Mexico, but the richest in these two countries still have incomes more than 25 times those of the poorest (OECD, 2011). Brazil managed to reduce inequality from a Gini of 60 in 1993 to 54 in 2009 (Birdsall, Lustig & McLeod, 2011:11), although it is still far more unequal than any of the OECD countries (OECD, 2011). Of the 13 countries with information available in 2011 or 2012, 12 reported a declining Gini coefficient (ECLAC, 2014:81). Despite this trend, inequality in Latin America still ranks at the top of all regions (Birdsall et al., 2011:3).



The increase in inequality was universal in Eastern Europe and the former Soviet Union, with as much as a 20-point increase in the Gini coefficient in several countries (Cornia & Court, 2001). For example, in Russia the Gini increased from 25.9 in 1989-90 to 40.9 in 1994, immediately after dismantling of the former Communist system. In contrast, in Poland, despite a similar level of 25.5 in 1989-90, the Gini increased to only 32 by 1995 (Milanovics & Ersado, 2008). Between 1990 and 1995 the share of the top decile (region-wide) increased from about 20 percent of total income to about 25 percent, while the share of the bottom decile dropped from about 4.5 percent to 3 percent of total income (Milanovics & Ersado, 2008). Since 1995 the distributions have remained relatively stable or inched slightly upwards (UNU-WIDER, 2008).

## **Prediction 1. Positive correlations between poverty and inequality**

During the Equity and Sustainability Field Hearings, people living in poverty told us that the decisions and actions of those with money is a primary cause of poverty and impeded development. If they are right, we would expect to see positive correlations between poverty and economic inequality over time and space. However, in order to analyze the data to look for this relationship, we must first disentangle the influence of other related factors – the most notable of which is economic growth. Growth in per capita income is widely acknowledged to reduce poverty rates, all other things being equal (Ravallion, 2005a). When researchers have attempted to untangle the relationship between poverty rates, economic growth (or lack thereof) and distributional inequalities, what have they learned?

In the 1950's, Simon Kuznets found for a cross section of countries that inequality first increased and then decreased as per capita income increased (Kuznets, 1955). The now-famous “Kuznets Curve” was believed to demonstrate that for poverty reduction to take place in developing countries, it was necessary, at least at first, to accept growing inequality. However, more recent and comprehensive studies have found no evidence that economic growth must be accompanied by rising inequality (Berg & Ostry, 2011; Deininger & Squire, 1998; Ostry, Berg, & Tsangarides, 2014; Piketty, 2006; Ravallion & Chen, 1997). Rapid growth was associated with falling inequality as often as it was with growing inequality, or with no changes at all (Bigsten & Levin, 2005).

Although growth can reduce poverty, growth that is “distribution-neutral” (i.e. does not alter the fraction of total income obtained by different segments of the population) gives greater gains to the rich. For example, for any growth rate, the income gain to the richest decile in India will be about four times higher than the gain to the poorest quintile; while it will be nineteen times higher in Brazil (Ravallion, 2005a). Growth along with changing levels of inequality can either reduce or increase poverty rates, depending on the relative rates of growth and inequality. In the formerly communist transition economies, Milanovic and Ersado (2008) found that growth was often strongly anti-poor, as the acceleration of growth generally left the income share of the poor lower. (This does not necessarily indicate that their average income had gone down, though, since a smaller share might have been counterbalanced by a higher overall income.)

Several studies indicate that high inequality in itself may reduce growth rates and thus block poverty reduction (Aghion, Caroli, & García-Peñalosa, 1999; Berg & Ostry, 2011; Cornia & Court, 2001; Deininger & Squire, 1998; Keefer & Knack, 2002; Ostry et al., 2014). Rent-seeking and predatory activities tend to rise, and work incentives of the poor are diminished. Rural economies with land concentration in a few hands face very high shirking and supervision costs due to lack of incentives for untenured agricultural workers, and tend to have lower yields per hectare than do more equitable agrarian systems. High inequality has also been shown to limit progress in education, reproductive health, and human capital. High levels of income inequality between classes and among social, ethnic, religious and occupational groups can also increase political instability, crime and social problems, thus negatively affecting growth. From a business perspective, such social tensions tend to erode the security of property

rights, augment the threat of expropriation, drive away domestic and foreign investment, and increase the cost of business security and contract enforcement (Cornia & Court, 2001).

Empirical data from the past several decades show that, considered in conjunction with growth, higher levels of inequality raise poverty rates while greater equality reduces poverty. For a study of 50 developing countries, the median rate of decline in the proportion of the population living below \$1 per day was 1.3% per year in countries with both rising average income and rising inequality, but it was seven times higher – about 10% per year – in the countries that combined growth with falling inequality (Ravallion, 2005a). Among contracting economies, when inequality was rising while average living standards fell, the poverty rate rose by a dramatic 14% per year on average, while with falling inequality the poverty rate rose by less than 2% per year (Ravallion, 2005a).

Empirical studies have also found that higher inequality is associated with higher poverty at a given mean income (Fields, 2001; Ravallion, 2005b). Besley and Burgess, for example, find a significant positive coefficient for inequality when they regress the log headcount index for the \$1/day poverty line on both the log mean income and a measure of inequality (Besley & Burgess, 2003).

Ravallion assembled data on about 170 “spells” spanning two surveys for each of about 70 developing countries in the 1990s (Ravallion, 2005b). For each survey, he calculated a measure of poverty and a measure of inequality. There is a relatively strong *positive* (unconditional) correlation, with a correlation coefficient of 0.31. Poverty incidence does not change, on average, if inequality does not change. Looking just at the subset of growing economies, the relationship is even steeper (Ravallion, 2005b). Higher inequality tends to have more impact on poverty when the incidence of poverty is lower. However, even if one confines the analysis to countries with above average initial poverty rates (greater than 15%), there is a significant positive correlation between rising relative inequality and rising poverty (Ravallion, 2005b). Across the 50 observations for Eastern Europe and Central Asia, the correlation coefficient is 0.62 – even higher than for the full sample. The countries for which poverty rose the most in Eastern Europe and Central Asia were those for which inequality rose the most (Ravallion, 2005b).

Over the past three decades, China has had high levels of economic growth, falling poverty rates, and periods of growing inequality (Ravallion, 2005b). On the face of it, this would contradict the hypothesis. However, the periods of more rapid growth did *not* coincide with more rapid increases in inequality. Indeed, the periods of falling inequality (1981-85 and 1995-98) had the highest growth in average household income. Secondly, the provinces that saw a more rapid rise in rural inequality saw *less* progress against poverty, not more (Ravallion, 2005b).

Naschold estimated the effect of growth versus changes in income distribution on poverty by calculating point elasticities from the cumulative distribution of per capita consumption from individual household surveys, using the PovCal software and latest available household survey for each country (Naschold, 2005). The Gini elasticities all had the expected positive sign, meaning that poverty increases as the distribution of income becomes more unequal (and vice versa).

In the 1990s, several observers noted the close relationship between trends in inequality and trends in poverty in Latin America (Korzeniewicz & Smith, 2000). For example, Birdsall and Londoño commented that, in Latin America, at least half of the rise in poverty in the 1980s (50 million additional poor) was due to the deterioration in income distribution (Birdsall & Londono, 1997). During the 1990s, income distribution worsened, exacerbating the negative effects of limited growth on poverty reduction. The impact of deterioration in income distribution during the 1982-1992 period was so large that it eclipsed the effects of the subsequent recovery in the growth rates of the region (Birdsall & Londono, 1997). Berry asserted that “little poverty would exist if the income share of the bottom few deciles were not so low” (Berry, 1997). Other analysts acknowledged that economic growth in the 1990s had done far less to

ameliorate poverty than stagnation in the 1980s did to deepen it (Tokman, 1997). In the past decade, poverty and inequality have been declining across Latin America. For reasons which appear to be related to better education and stronger social protections programs, of the 17 countries for which good data are available, 12 have experienced significant declines in inequality (Birdsall et al., 2011: 2).

There is evidence that economic inequality is rising along with economic growth in resource-rich African countries, thus harming the potential for poverty reduction (Africa Progress Panel, 2013). Using household surveys to track consumption, poverty and income distribution at two points in time, the Brookings Institution looked at the relationship between growth, inequality and poverty reduction in Ghana, Nigeria, Tanzania and Zambia. In each of the countries there was a significant gap between the anticipated poverty reduction effects of growth, and the actual outcomes (Africa Progress Panel, 2013). In two cases – Ghana and Tanzania – poverty fell, but by less than expected on the basis of the reported growth. In Tanzania, growth based on the initial pattern of income distribution would have been expected to bring another 720,000 people out of poverty. In Zambia, poverty increased despite the fact that the reported increase in consumption was predicted to lift another 660,000 people out of poverty. In the same four-year period in Zambia, the richest 10% saw its share of consumption increase from 33% to 43%, while the consumption share of the poorest 10% fell from 2.6% to 1.4%. In Nigeria, the consumption record pointed to a predicted increase in poverty, but the actual increase was far higher than anticipated, by some 6.7 million people.

Increased inequality explains the apparent discrepancy between anticipated and achieved poverty reduction in Africa. The wealthiest 10% captured a large part of the increase generated by growth, while the poorest 40% saw their share of income decline. In other words, economic growth is driving an increasingly unequal pattern of wealth distribution and weakening the link between growth and poverty reduction (Africa Progress Panel, 2013).

## **Prediction 2. Reductions in poverty with reductions in inequality**

It is clear from the above that poverty is worsened by growing inequality. But can existing poverty be reduced by reductions in inequality? Heltberg explains that a reduction in inequality may reduce poverty for a given level of income, accelerate the poverty reducing-impact of economic growth, and contribute to a larger rate of growth (Heltberg, 2005). Although Heltberg does not mention it, reductions in inequality may also be effective at poverty reduction by enhancing the ability of poor people to influence political decision-making, and thereby push for fairer rules that will reduce inequality and poverty even farther.

We can demonstrate the direct impact of increased distributional equality on poverty reduction fairly precisely by analyzing actual instances of poverty reduction through increased distributional equality, by considering hypothetical transfers of specific dollar amounts from the very wealthy to the very poor, and by using simple mathematical models to contrast the poverty reductions achieved through growth with those achieved through redistribution.

Real-world instances of poverty reduction show that lowering inequality can have a significant positive impact. Hanmer and Naschold separate a sample of 121 poverty observations into two groups: those with Gini above 0.43 and those below 0.43 (Hanmer & Naschold, 2000). They found that the high-inequality countries needed growth rates around three times as high in order to achieve the same rate of poverty reduction as the low-inequality countries. White and Anderson looked at 143 growth episodes from around the world, breaking down changes in the income taken by the lowest quintile into the effects of growth and those of distribution (White & Anderson, 2001). They found that in a substantial number of cases the change in income distribution played a significant role, and in over one quarter of the cases, distribution was more important than overall growth in explaining income growth of the poor.

Looking at the projected impact of hypothetical transfers from the very rich to the very poor, it is clear that this, too, could have an enormous impact on reducing poverty. Pogge and Sengupta explain that if the poorest two-fifths of the global population had gained the 2.9 percent of global household income that was actually gained by the richest 5 percent between 1988 to 2008, the income of the poorest one-fifth would have nearly doubled already – a gain not expected for another 92 years under a realistic growth scenario (Pogge & Sengupta, 2014). Likewise, we could bring everyone up over the \$2/day level, a task requiring \$300 billion per year, if we took just 1.2% of the income of the richest 10% of humanity (Pogge, 2013). In a similar vein, Oxfam researchers recently pointed out that the richest 100 billionaires in the world added \$240 billion to their wealth in 2012, enough to end world poverty (at the \$1.25/day level) four times over (Slater, 2013).

Using simulations to contrast the poverty reductions achieved through growth with those achieved through redistribution leads to a similar conclusion. Using real data for a large number of countries, Dağdeviren and colleagues simulated the effects of hypothetical poverty reduction through distribution-neutral growth versus an equal redistribution of each period's growth increment (Dağdeviren, Van Der Hoeven, & Weeks, 2005). They concluded that redistribution is far more effective for poverty reduction than are distribution-neutral increases in growth.

We developed our own mathematical simulation<sup>a</sup> to show precisely how much more efficient redistribution is at reducing poverty rates as compared with growth of the economy. Results are presented for three examples.

#### **Example 1: Reducing poverty in a very poor country**

Using numbers which approximate those of Bangladesh in 1995-6, a redistribution of 3% of the income from the top quintile (reduced from 40.2 to 37.2%) to the bottom quintile (raised from 9.3 to 12.3%) results in a reduction in extreme poverty from 20% to 0%. Attempting to reduce poverty by a similar amount through growth of the economy requires an expansion in total income of approximately 45%. [Model parameters included population (117.487 million) (DESA, 2011), mean income (662.40 USD/year) (UNU-WIDER, 2008), distribution of income by quintiles (9.3, 12.9, 16.4, 21.3, 40.2) (Ortiz & Cummins, 2011), an extreme poverty rate estimated as under \$365 per person per year (Ravallion, Chen, & Sangraula, 2009; Sachs, 2005) – a number which results in about 23.5 million people in abject poverty.]

#### **Example 2: Reducing poverty in a very rich country**

Using numbers that approximate those of the US around 2011, a redistribution of 2% of the income from the top quintile (reduced from 50.05 to 48.05%) to the bottom quintile (raised from 3.4 to 5.4%) results in a reduction of the poverty rate from 15% to 0%. However, attempting to reduce poverty by a similar amount through growth of the economy requires an expansion in total income of approximately 110% – i.e. more than doubling of the economy. [Model parameters included population (311.59 million) (WorldBank, 2013b), mean income (48,820 PPP international dollars) (World Bank, 2013b), distribution of income by quintiles (3.4; 8.7; 14.7; 23.15; 50.05) (Ortiz & Cummins, 2011), and a moderate poverty rate estimated as under \$10,000 per person per year<sup>b</sup> – a number which results in about 46.7 million people in poverty (Bishaw, 2012).]

#### **Example 3: Reducing poverty globally**

Using numbers that approximating those of the entire world around 2007-8, a redistribution of 1% of the income from the top quintile (reduced from 82.8 to 81.8%) to the bottom quintile (raised from 1.0 to 2.0%) results in a reduction in the poverty rate from 20% to 0%. Attempting to reduce poverty by a similar amount through growth of the economy requires an expansion of total income of approximately

110% – i.e. more than doubling of the world’s economy. [Model parameters included population (6.73666 trillion) (World Bank, 2013b), mean income (10,615 PPP international dollars) (World Bank, 2013b), distribution of income by quintiles (1.0; 2.1; 4.2; 9.9; 82.8) (Ortiz & Cummins, 2011), and estimated poverty rate of under \$730 per person per year (Ravallion et al., 2009) – a number which results in about 1.35 billion people in poverty.]

### **Prediction 3. Mechanisms by which the wealthy perpetuate inequality and poverty**

Our Equity and Sustainability Field Hearings learned that people living in poverty view those with wealth as having greater access to political decision-making, which they then use to divert resources and create further economic opportunities for themselves (Rogers, 2012). What do analysts have to say about the mechanisms by which the wealthy enable and protect their own opportunities at the expense of the poor? A review of recent academic and journalistic analyses reveals a multitude of well-recognized mechanisms.

\* **Cuts in social spending** (ECLAC, 1997; Edwards, 1995; Kanbur, 2005; Korzeniewicz & Smith, 2000; OECD, 2011; Ortiz & Cummins, 2013; Rosenthal, 1996): Dismantling of public welfare provisions, including the recent ‘austerity’ measures, have had a huge impact on people with inadequate incomes by reducing food, education, housing, health care, pension, and other benefits that contributed to their well-being. During periods of economic stagnation, the need for these programs grows larger, and thus the benefits per person are often reduced even when the total spent on government programs remains large. Ironically, unless explicitly accounted for, public services can be reduced considerably and yet not show up in income- or expenditure-based measures of poverty incidence.

\* **Lack of progressive taxation** (Africa Progress Panel, 2013; Buchheit, 2013; Garofalo, 2012; Hujo, 2012; OECD, 2011): Closely related to cuts in social spending is the lack of, or reversal of, progressive taxation that makes such spending possible. In developed countries, which have seen a move away from highly progressive income tax rates and the elimination of net wealth taxes from the mid-1990s to 2005 (according to the OECD), the reduced redistributive capacity of tax-benefit systems was sometimes the main source of widening household-income gaps. At the opposite extreme, very poor countries such as the Democratic Republic of Congo are losing revenues as a result of weak management of concessions, aggressive tax planning by companies, tax evasion and corrupt practices. Meanwhile, numerous tax benefits and loopholes provide a congenial environment for big business, resulting in little or no taxes paid by some of the world’s largest companies.

\* **Shifts from public to private sector** (Megginson & Netter, 2001; Milanovics, 1995, 1999; Milanovics & Ersado, 2008; Stiglitz, 2002:58): The transfer of resources and functions that were once public into the private sector – including health care, pensions, education, industries, physical infrastructure, water, police, prisons, and even military functions – is known to result in greater poverty. In the transition economies of Eastern Europe and the former Soviet states, a massive expansion of poverty took place between 1990 – 1995 as this transfer occurred. Increased poverty appears to come about through the loss of public sector jobs, which tend to have a more equal wage scale, and through the need to pay for services that were earlier provided by the state. (Milanovic and Ersado (2008) note that privatization of certain small-scale businesses resulted in more jobs for the poor.) In addition to privatization in the US and in Eastern European transition economies, many developing nations, including India, China (which is nominally Communist), and nations in Sub-Saharan Africa and Latin America, have followed the trend as well (Megginson & Netter, 2001:322-328).

\* **Growing wage inequality** (Cornia & Court, 2001; Milanovics, 1995; OECD, 2011): In developed countries, according to the OECD, the single most important driver of growing inequality has been greater inequality in wages and salaries. The earnings of the richest 10% of employees have grown rapidly relative to the poorest 10%, with the largest gains going to the top 1%. Since the 1980s, there has been a widespread shift towards greater wage flexibility, reduced regulation, erosion of minimum wages, lower unionization, dilution of the wage bargaining power of trade unions and higher labor mobility, all correlated with the recent rises in overall inequality observed in OECD, Latin American, and transition economy countries.

\* **Transfer of income from wage-share to capital-share** (Cornia & Court, 2001; ILO, 2014b; UNICEF & UN Women, 2013): In recent years, “jobless growth” has characterized labor markets across the world. Between the 1980s and the mid-2000s, an estimated three-quarters of countries experienced a fall in the wage-share of national income, as high as 13% in Latin America and 10% in the EU (UNICEF & UN Women, 2013:22). Between 2000-2008, the unadjusted labor share of income declined in all regions except Central and Eastern Europe and Central Asia (ILO, 2014b:155). Analyses have identified the rise of capital share (and reduction of labor share) of total income as a key component of overall increases in inequality.

\* **Decline of trade unions** (ILO, 2014b; UNICEF & UN Women, 2013): Decline in labor union membership and collective negotiation coverage has played a role in falling wages and benefits, and weakening of labor standards, regulations and institutions.

\* **Informalization of employment** (ILO, 2012b, 2014b; UNICEF & UN Women, 2013): Employment has become increasingly informalized, even where growth rates have been high. Rates of non-agricultural informal labor averaged 40%, ranging from 6% through over 82% in 47 developing countries which were analyzed (ILO, 2012b:11; 2014a:12), exposing workers to risky labor contracts, insecurity, and lack of protection or benefits, especially among women, people living in poverty, and the unskilled.

\* **Job insecurity** (Korzeniewicz & Smith, 2000; UNICEF & UN Women, 2013): Those in poverty have greater job insecurity, especially during times of economic stagnation, because they can be hired and fired as needed by businesses. Coupled with eroding wages and the gap between the formal and informal work sectors, this leaves people in poverty far less able to protect themselves during economic downturns.

\* **Unequal access to credit** (UNICEF & UN Women, 2013): Inequalities in access to credit aggravate disparities. The largest companies and most wealthy individuals have easy access to large, cheap credit, while those in poverty have only intermittent access to small, short-term loans at great cost. Because returns to capital increasingly exceed returns to labor, unequal access to credit multiplies inequalities further.

\* **Asset inequalities** (Edwards, 1995; Korzeniewicz & Smith, 2000; Lustig, 1995; Morley, 1994; Piketty, 2014: chpt 7; Ramos, 1996; UNICEF & UNWomen, 2013): Clearly, people living in poverty own far less land, property, resources, and financial assets. This drives continued poverty through lack of collateral for loans, and lack of ability to gain returns on investment. Asset or wealth inequality is the outcome of intentional policies including repealing inheritance taxes, reducing progressive taxation rates in the higher brackets, and blocking land reform efforts, as well as systemic assumptions in our economies that reward capital assets over labor.

\* **Loss of land, water, and other resources** (Africa Progress Panel, 2013; Broad & Cavanagh, 2012; De Schutter, 2011; Korten, 2001; Perkins, 2004; Stiglitz, 2002): Compounding the initial lack of assets of people in poverty, neocolonial practices across Asia, Africa and Latin America have diverted land and resources away from the control and benefit of local communities, and instead into profitable businesses

for outside companies and the local elites who facilitate their activities. Policies of the World Bank and IMF over the decades have greatly enabled this trend. For instance, the development of profitable cash crops in place of subsistence farming wreaked havoc with the ability of local communities to feed themselves, while extraction of mineral resources has enriched multinational companies while destroying the environment on which local communities depend for their sustenance. In recent years, large agricultural land holdings have been acquired by outside interests in scores of countries, from Angola to Zambia (Land Matrix, 2015).

**\* Resources directed toward urban, capital-intensive sectors** (Africa Progress Panel, 2013; Cornia & Court, 2001): Resources, both international and national, public and private, are much more frequently directed at urban areas and capital-intensive sectors. For example, increased mineral exports in Tanzania generated growth in average income of 70% over the past decade, but this growth has been directed towards capital-intensive sectors such as mining, telecommunications, financial services and construction, and towards urban centers, leaving other sectors behind. Likewise, growth in Ghana has done little to reduce poverty in the northern region. Between 1999 and 2006, the number of poor rural people in northern Ghana increased from 2.2 million to 2.6 million, even as the overall number of those living in poverty nationally fell by just under 1 million. In Nigeria, while oil exports have resulted in GDP growth of over 5% a year, the unemployment rate has climbed from 15% in 2005 to 25% in 2011. The rural-urban gap also rose in certain Asian countries during the 1990s. The increase of inequality between regions in China accounts for half of the overall increase in income inequality observed in that country since 1985.

There are other mechanisms as well, both long-standing and relatively recent, which ensure that the rich get richer while the poor get poorer. These include well-known systemic phenomena such as regulatory capture and the relationship between wealth and political campaigns and lobbying (Johnston, 2005); the corruption which thrives during the process of privatization of public assets (Bjorvatn & Sbreide, 2005; Kaufmann & Siegelbaum, 1996; Stiglitz, 2002; Tangri & Mwenda, 2001); economic globalization and liberalization which allows the biggest players globally to enter local markets and crowd out small-scale entrepreneurs (Stiglitz, 2002); the use of military and police force to open markets, create lucrative opportunities and protect business interests (Ikelegbe, 2005; Johnson, 2001; Klein, 2008); the cumulative increase of disparities through intergenerational inheritance of wealth (Piketty, 2014); the rise of purely financial transactions which result in enormous wealth for those who are successful at this game (Dore, 2008; Epstein, 2005); and finally, the long-term accumulation and centralization of capital (Piketty, 2014).

## **Conclusions from the analysis**

In this chapter we have considered a new interpretation, suggested by people living in poverty themselves: that the decisions and actions of those with money is a primary cause of inequality, poverty, and impeded development. The results of our literature review, simulation, and “Field Hearings” participatory assessment can be summarized as follows:

\* Globally, the extreme poverty headcount is down, but this is primarily due to China’s efforts; in the rest of the world, extreme poverty is not much different from what it was in 1981, despite decades of economic growth.

\* Globally, inequality levels have greatly increased, although this varies from region to region.

\* Higher levels of inequality are clearly correlated with higher levels of poverty, thus supporting our first prediction.

\* Steps that reduce inequality (i.e. redistribution of income or wealth) lower poverty more efficiently than does economic growth, thus supporting our second expected finding.

\* Numerous clear-cut mechanisms by which inequality and poverty are perpetuated by the policies and activities of those with money have been identified, thus supporting our third expected finding.

In short, our proposed interpretation has important explanatory power and needs to be addressed directly if we intend to end poverty and engage in meaningful sustainable development.

According to World Bank economist Branko Milanovic, more than 2/3 of global inequality between individuals is accounted for by location (country) rather than by economic class (Milanovic, 2012). But this analysis – with its implication of manifest destiny for certain regions – is misleading because economic class still determines *who* has the opportunity to engage in the activities that generate the enormous disparities between nations, as well as *how* these opportunities are enabled and protected. The *Africa Progress Report 2013*, for example, documents in great detail the financial transactions between multinational corporations and the elites in mineral-rich African states that lead to huge profits for a few and continued impoverishment for the rest (Africa Progress Panel, 2013).

An ideological or theory-driven analysis of wealth, inequality and poverty – whether Marxist, neoliberal, or something in between – is more inflammatory than helpful in the global discussion about sustainable development. What is essential is a realistic look at the hard data, facts, and implications relating poverty to inequality. With that now in hand, we next take a look at what this might mean for effective Sustainable Development Goals which are currently shaping up in the multilateral context.

## **Implications for Sustainable Development Goals**

What are the implications of these findings from research on poverty, wealth, and power for crafting Sustainable Development Goals that would be effective at reducing poverty and promoting sustainable development in the post-2015 era? To date, there has been an attempt to achieve poverty reduction without altering fundamental systemic drivers of inequality or diminishing the privileged status of national and international elites. Our analysis above shows that this approach has been self-defeating, because it continues to generate increasing inequality, which then locks in poverty.

The goals of our Equity and Sustainability Field Hearings respondents – those most in need of sustainable development – included stable incomes and a secure economic future, with food, health care, and education for their children; responsive and accountable governments that work to create opportunities for all, regardless of ethnicity or economic class; and access to opportunities and decision-making (Rogers, 2012). These goals are completely compatible with the concepts of sustainable development and equity, and could readily be framed within a new set of post-2015 Sustainable Development Goals (SDGs). How could the new SDGs respond to these wishes and effectively address inequality and poverty?

In the following, we make some proposals based on the literature, to tackle the poverty-wealth-power nexus:

\* The new SDGs must confront inequality directly through a strongly-worded stand-alone goal on equality, with strong supporting targets and indicators. This has been recommended by the Inequalities Consultation Advisory Group, one of the Global Thematic Consultations on the Post-2015 Development Agenda, and others (Save the Children, 2012; UNICEF & UN Women, 2013). Indeed, the Field Hearings



network led the successful drive to include Goal 10 of the Open Working Group's outcome document, which explicitly addresses inequality (UN Open Working Group, 2014). On the other side of the same coin, Oxfam calls for an end to extreme wealth as one component of the need to address inequality and poverty (Slater, 2013).

\* Equality must also be incorporated into all the other goals and targets as well. Since poverty is multidimensional and entangled with all aspects of life, it is necessary to address all types of inequalities (violence and security, gender, health, education, discrimination, human rights, and many others) in order to address poverty effectively (Save the Children, 2012; UNICEF & UN Women, 2013).

\* Furthermore, in order to make the targets meaningful with respect to equality, all monitoring data must be disaggregated by social and economic groups (which might include the lower income or wealth groups, women, excluded minorities, and others who experience significant disadvantages). Otherwise, significant inequalities can hide beneath apparently improving averages (Save the Children, 2012; UNICEF & UN Women, 2013).

\* The following crucial issues must be the subject of strong targets under the primary goal on overcoming inequalities (Goal 10) and other relevant goals, in order to address the main goals of our Equity and Sustainability Field Hearings respondents:

(1) stable incomes and a secure economic future

- Establish a “social protection floor” below which no one is allowed to fall, funded through public spending; this should be made more explicit in the targets under Goal 1 on poverty reduction (UN Open Working Group, 2014) (ILO, 2012a; Jones, 2009; Ortiz & Cummins, 2011; UNICEF & UN Women, 2013).
- Policies and programs generating full employment, including favoring high-employment industries, and public works programs if needed to make up the gap (Ortiz & Cummins, 2011; UNRISD, 2010)
- Protection of labor rights, organizing and collective bargaining, worker safety; organizing the informal sector; addressing unpaid work; protection against exploitation, trafficking and slavery (Cornia & Court, 2001; UNICEF & UN Women, 2013; UNRISD, 2010)
- Asset (especially land) redistribution has been shown to be effective at bringing people out of poverty without backsliding; at an international level this should include the return of land as well as appropriate compensation for resources extracted (Cornia & Court, 2001; DaGdeviren et al., 2005; Jones, 2009; Ortiz & Cummins, 2011; UNICEF & UN Women, 2013; UNRISD, 2010)
- Land grabs and resource extraction benefiting only outsiders and the elites must be stopped, as they are one of the primary mechanisms impoverishing local communities; resource extraction businesses must include contractual guarantees of local benefits (Ortiz & Cummins, 2011; UNICEF & UN Women, 2013)
- Global economy requires protection of local communities and businesses from harmful practices and impacts of direct foreign investment, non-productive financial transactions, monopolistic practices, etc. (Cornia & Court, 2001; UNICEF & UN Women, 2013)

(2) food, health care, and education

- Public sector spending should include provisions for meeting universal education, health, child and elder care, pensions, physical infrastructure including water and sanitation, policing and other primary needs (Cornia & Court, 2001; Jones, 2009; Ortiz & Cummins, 2011; UNICEF & UN Women, 2013; UNRISD, 2010)

(3) responsive and accountable governments

- Broadly inclusive democratic participation in decision-making is crucial to poverty elimination because it allows greater political influence by those experiencing poverty. Targets under Goal 16 on inclusive societies (UN Open Working Group, 2014) must include political access and empowerment, publicly funded elections, a free news media, rights to participation by all, rule of law, transparency and accountability of governments, effective anti-corruption policies and enforcement (Jones, 2009; Ortiz & Cummins, 2011; UNRISD, 2010)

(4) access to opportunities and decision-making

- Targeted action such as quotas, affirmative action, and special expenditures and protections for disadvantaged groups that have been excluded for various reasons (Jones, 2009; UNRISD, 2010)
- Equitable and democratic ownership and control of financial and business enterprises; this could be accomplished through cooperative ventures, municipal development corporations, state-owned banks and industries, or other arrangements (Alperovitz, 2005)
- Credit access is critical for those living in poverty, who are generally without collateral, to invest and build up equity in property and businesses (Dağdeviren et al., 2005; Ortiz & Cummins, 2011; UNRISD, 2010)

(5) resources to fund the above activities

- Taxation must be direct and progressive, including inheritance taxes; loopholes, tax evasion and off-shore schemes must be ended (Cornia & Court, 2001; Jones, 2009; Ortiz & Cummins, 2011; UNICEF & UN Women, 2013; UNRISD, 2010)
- Debt relief, particularly of sovereign debts that were incurred for the benefit of the few (Ortiz & Cummins, 2011)
- New sources of international sources of development finance to redistribute wealth between countries; suggestions have included taxing the arms trade, global environmental taxes (carbon-use tax), and taxing speculative short-term currency flows (the so-called “Tobin tax”) (Ortiz & Cummins, 2011)

People who bear the brunt of poverty and inequality are telling us something vital, and their observations are corroborated by hard data. It’s time to hear them clearly, and respond effectively.

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## ENDNOTES

<sup>a</sup> These examples were obtained by running a straightforward mathematical calculation (using MatLab) as follows:

We specify the values for population, mean income, and distribution of income to quintiles as mentioned in the text.

We assume that within each quintile, the income is distributed to each 1% of the population according to a straight-line slope reflecting the percent increase between the share of income for that quintile and the next highest. For the top quintile, the slope is the same as for the fourth quintile. This assumption is a gross simplification, but in the absence of actual data it is a reasonable estimate.

For calculations involving only growth of the economy, we assume that the additional income is distributed exactly as originally specified; thus, each quintile receives the same fraction of the income as before, but the total absolute amount increases by the specified percent growth.

For calculations involving only redistribution, we assume that the overall economy does not grow, but that fraction of the income received by the top quintile is reduced by the specified percent redistribution, while fraction of income received by the bottom quintile is increased by that same specified percent.

<sup>b</sup> This reference provides statistics on the numbers of people in poverty in the US; the poverty line cutoff used by the US government is actually a calculation based on numbers of people in the household. We use the approximation of \$10,000/person/year in our model in order to obtain the approximate number of people in poverty.

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