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GLOBAL STRUGGLES

How National and Global Inequalities Are Intertwined

U.S. activists need to understand how corruption, oligarchy, and inequality at the national level are tied to similar patterns around the world.

RESEARCH & COMMENTARY

FEBRUARY 24, 2020

by William Minter and Imani Countess

Protest against alleged corruption between Senegalese government and a global oil company, Dakar, June 2019. Credit: Getty Images.

The recession that began in 2008 brought new life to the public debate on class inequality in the United States. The [#OccupyWallStreet](#) demonstrations in 2011 may have left no institutional legacy, but they shined a spotlight on a yawning wealth gap and the role of the “one percent.” In 2020, these themes are being sounded in national media and even on the presidential debate stage.

At the same time, complacency about racial inequality is being challenged. Thanks to the activism of [#BlackLivesMatter](#) and other racial justice groups, there are perceptible shifts in public opinion, including among some whites and particularly among youth. The racial justice movement initially focused on police violence but rapidly extended its vision to [fundamental issues of inequality and national identity](#). The impact on mainstream opinion was symbolized in 2019 by the 1619 Project, a [New York Times Magazine](#) feature reflecting on 400 years of the impact of slavery.

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equality until the late 1970s. Since then, though, inequality has increased steadily. Two factors among many are the declining strength of unions and **tax policies that advantage the rich**, enacted under both

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In 1979, in the United States, the top one-tenth of one percent owned 7 percent of the wealth; this tripled to 22 percent by 2012. The share of wealth held by the bottom half of the population is almost net zero, as debts balance out assets. So the losses have hit the top 50 percent to 90 percent of families. The effects on minority populations have been particularly extreme.

Public awareness of inequality, like awareness of climate change, was rising even before President Trump took office. But his administration's sharp turn toward denial and regression on both issues has spurred active opposition and cut into the complacency of conventional Democratic Party politics.

However, while most people understand the climate issue as global, the U.S. debate on national

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slavery and its lasting impact, **so well documented** in this 400th year anniversary, was **not just a** U.S. experience. It was shared by other countries in the Americas, based on a global capitalist system that included trade in slaves, sugar, and cotton. This trade was central to building the wealth

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African continent. Colonial economies were based on extraction of raw materials, **shaping Africa's subordinate role** in the world economy. Moreover, the post-colonial independent states still reflect, in large part, the authoritarian political legacy of the colonial state. African elites **stash much of their wealth** outside the continent.

- After independence, African countries remained part of a global hierarchy dominated both politically and economically by the European and North American countries. While China has a seat on the United Nations Security Council and Japan is part of the Group of 7, these forums exclude Africa, Latin America, and the Middle East. These regions are also underrepresented in the powerful World Bank and International Monetary Fund.
- The U.S.-led “Western liberal world order” that followed World War II had two faces. On one hand, it was built on a foundation of white supremacy and market capitalism, while on the other hand, it enshrined values of anti-colonialism and universal human rights, reflected in the expanding United Nations system. In recent years a rising tide of ethnonationalism and right-wing authoritarianism is undermining this postwar liberal order, despite pro-democracy protests in every region of the world.

Global Inequality: Wealth vs. Work

Beyond a grasp of history, U.S. activists need to understand how corruption, oligarchy, and inequality at the national level are tied to similar patterns around the world. Abundant evidence on rising global economic inequality is available from **prominent academic sources**. Nongovernmental organizations focused on development, such as **Oxfam** and **ActionAid**, highlight not only global poverty but also the extremes of wealth and the rapidly widening the gap between the ultra-rich and everyone else.

Tax justice organizations in **Europe, North America**, and **Africa** show how tax resources needed for public investment are hidden in tax havens around the world – not just in small countries such as Luxembourg and Bermuda, but also in major financial centers such as London and New York. The **International Consortium of Investigative Journalists** and related groups have done detailed reporting on secret transactions revealed in leaked documents such as the Panama Papers.

In January 2020, to coincide with the Davos World Economic Forum, Oxfam published its **latest**

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not in school and provide healthcare that would prevent 3 million deaths.”

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median wealth per adult was only \$1,219. Thus the inequalities of history continue to affect the resources available to countries today.

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Gender and Work

At every level of the global hierarchy, wealth inequalities intersect with inequalities based on race, ethnicity, and gender. Those who are rich can accumulate even more wealth over their lifetimes or over generations. Those who depend primarily on income earned from work struggle to stay afloat and are constantly vulnerable to losing their jobs.

According to [Oxfam](#), “At the top of the global economy a small elite are unimaginably rich. Their wealth grows exponentially over time, with little effort, and regardless of whether they add value to society. Meanwhile, at the bottom of the economy, women and girls, especially women and girls living in poverty and from marginalized groups, are putting in 12.5 billion hours every day of care work for free, and countless more for poverty wages. Their work is essential to our communities. It underpins thriving families and a healthy and productive workforce.”

Oxfam calculates the monetary value of women’s unpaid care work globally as at least \$10.8 trillion annually – three times the size of the world’s tech industry. Those laboring at low-paid jobs in health, education, and other essential sectors are also disproportionately women. Changing that reality requires public investment to provide public goods such as health, elder care, and child care, and ensuring that decent jobs with adequate pay are available to all. And checking the further growth of inequality, as technological change reshapes the global job market, requires government action to protect workers’ rights and provide economic opportunities. It also requires adequately financed [universal social protection systems](#) to protect both those who work and those unable to work for reasons of age, disability, or other limitations.

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regulation is everywhere in decline. That is why those who study the “future of work” stress the urgency of collective action. The [Global Commission on the Future of Work](#), for example, lays out ten

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Domestic workers in South Africa, as in most countries, are underpaid and often not protected by legislation covering the formal sector. Unions have campaigned to expand such protections, with some success. Credit: Labour Research Service.

Where's the Money?

Almost 10 percent of the world's wealth is held offshore, where it is shielded from the tax authorities of rich and poor countries alike. “Offshore,” however, is not a physical location but rather a fiction of legal paperwork. Ultra-rich individuals, aided by bankers, lawyers, and other financial agents, hide their money in a web of shell companies, while multinational corporations mask profits through accounting sleight-of-hand. Countries desperately need revenue to support economic and social development, but the information necessary to locate and tax the money is rarely accessible. The facts of who actually owns the wealth and where it is earned remain hidden, becoming visible only when revealed in court or outed by whistleblowers or investigative journalists.

This is one of the key reasons why it is difficult for campaigns against global inequality to gain traction. Action must come from national governments, requiring political pressure focused on a single country.

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Africa's richest woman, Isabel dos Santos, daughter of the man who served as president of Angola for 38 years, used her family connections to siphon off wealth into a network of more than 400 companies in

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Santos move money, set up companies, and avoid taxes. They include two of the four major global accounting firms, PwC and KPMG, as well as the Boston Consulting Group, one of the three top global management consulting firms. Although dos Santos faces confiscation of some of her properties following the scandal, there is **no sign that** her global enablers will suffer any serious penalty.

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Recovering the Money for Public Goods

Governments in many countries are starved for resources to meet public needs, such as health, education, and other essential investments. But the need, and the hemorrhage of resources, is most blatant on the African continent. Estimates of illegal transactions in Africa show a loss of at least \$50 billion to \$80 billion in wealth every year, a figure that would be incalculably more if transfers made legal by loopholes and unfair treaties were included. Some flows are only seen as “legal” because the laws are written and interpreted by those who profit from the system. Nevertheless, even the outflow of clearly illegal funds is far greater than the estimated \$40 billion a year that Africa receives in official development assistance.

Despite corruption at the top in many African countries, networks of civil society activists and honest public servants are organizing to expose and curb illicit financial flows – money that is illegally earned, transferred, or used. They are aware that the culprits are not only corrupt national leaders but a global system, requiring a global response. In 2015, a coalition of six Pan African activist networks launched **#StoptheBleeding Africa** in Nairobi **to mobilize global support to end illicit financial flows.**

African countries are taking action on their own **to tighten controls on revenue losses.** And dedicated civil servants in many African governments **are coordinating these efforts** through the [African Union and the United Nations Economic Commission on Africa](#). But their leverage is limited without support from the rich countries that shape global rules and host much of the stolen wealth.

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Still, the issue is rising, both in the U.S. and globally, as demands for new public investments run up against the obstacle of where to find the money to pay for them. The logical answer, already **surfacing**

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accelerated since the 1980s.


According to **Emmanuel Saez and Gabriel Zucman**, the average tax rate on income from capital dropped from a peak of 46 percent in the early 1950s to under 30 percent in 2018. Reformers **are demanding** a return to higher top rates for both individual and corporate taxes, as well as demanding new taxes, such as wealth taxes on the ultra-rich and the **RobinHood tax** on stock transactions.

In addition to political will, two steps are essential to ensure that hidden wealth, estimated at anywhere from **\$9 trillion** to **over \$21 trillion**, is available for taxation. First, to ensure that multinational corporations don't conceal their profits by transferring them to low-tax or no-tax jurisdictions, there must be a legal requirement for **public country-by-country reporting**. This needs to include transparency on where money is earned, where workers are employed, details of taxes paid, and other key data, in public financial statements reported to the U.S. Securities and Exchange Commission.

Second, all corporations and other business entities must be required to make public reports on who really owns and controls them. The United States is one of the easiest places in the world to form anonymous shell companies. A requirement to report **beneficial ownership** would make it possible for tax authorities, lawmakers, and the public to "follow the money" and conduct informed debate about fair rates of taxation.

Steps toward these goals are gaining bipartisan support in the U.S. Congress, as well as among many investors and business leaders. According to an April 2019 report from the **U.S.-based Financial Accountability and Corporate Transparency (FACT) Coalition**, the trend is in the right direction. "The evidence suggests we are quickly reaching a turning point," said Christian Freymeyer, author of the report. "Investors see the value, policymakers see the benefits, and businesses see the inevitability of greater transparency. It's only a matter of time before tax transparency is accepted and expected of financial disclosure."

Freymeyer's analysis may err on the side of optimism, given the continued opposition from those with vested interests in tax avoidance. But the argument is gaining ground. Even limited actions will assist U.S. taxpayers and those in other countries seeking to tax resources extracted from their economies. Significant action will depend above all on the outcome of the 2020 elections. But it will also depend on continuing pressure from social movements, insisting that the U.S. government take responsibility for

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