BACKGROUND NOTES ON INEQUALITY FOR TEACHERS

What do we mean by inequality?

In this resource inequality refers to wide differences in a population in terms of their wealth, their income or their access to essential services such as health and education. These differences can occur between communities within the same country, or between countries. Inequality can also apply to unequal opportunities (life chances) and outcomes.

Many academic studies reveal that although a country's income (GDP) may grow and there may be signs that poverty is falling overall, this can disguise continued or worsening inequalities within the population. The Young Lives study of 12,000 children in four different countries over 15 years has revealed that there can be wide differences in levels of income, health and education between different ethnic groups, boys and girls, and between communities living in different locations, where people in urban areas fare better than those living in rural ones.[i]

Economic inequality can be measured in terms of wealth (what a household owns) and in terms of income (what a household earns). Inequality of opportunities refers to unequal distribution of 'life chances', such as unequal access to services like education and healthcare or exclusion from employment opportunities. Inequality of outcomes refers to the unequal distribution of variables such as wealth, income, or educational attainment.

Why is inequality a problem?

While some people argue that economic inequality may be necessary to spur growth and prosperity, extreme inequality causes problems. Economic inequality tends to slow the pace of poverty reduction, and when extreme, can even reverse it. A widening gap between rich and poor is now being seen in many countries all around the world. Seven out of ten people in the world live in countries where economic inequality has increased in the last 30 years. Taking the entire wealth of the planet and dividing it into two, almost half would go to the richest 1 per cent; the other half to the remaining 99 per cent. Inequality is increasing in the UK: the richest five families in the UK are now wealthier than the bottom 20 per cent of the population (12.6 million people).[ii]

Inequality challenges the innate sense of fairness most people feel, but there are other reasons why extreme inequality is a problem. Among them, the fact that extreme inequality – where wealthy elites dominate economic and political power – limits the opportunities poorer people have in life. Money, power and opportunities are concentrated in the hands of the few, resulting in the rich getting richer, while the poor get poorer (see 'Causes of inequality' section below). Furthermore, because different kinds of inequality are frequently overlapping and mutually reinforcing, rising inequality exacerbates the slow pace of poverty reduction. For example, a poor, elderly, disabled woman from an ethnic minority faces an interlocking set of obstacles to lift herself out of poverty.

Gender inequalities

The majority of people living in poverty around the world are women. Women often have fewer resources, fewer rights and fewer opportunities to participate in decision-making processes than men. There are many, often complex, reasons why women are more at risk, such as domestic violence, discrimination and lack of education.

In 2009, it was calculated that women account for two thirds of the people living in extreme poverty and 60% of the working poor people in the world. Women frequently own fewer assets than men, earn less money and do the vast majority of unpaid care work. There are also fewer women represented in politics and women are often legally discriminated against too. Women are still given a lower legal status than men in 128 countries around the world.[iii]

Find out more about Oxfam's work on women's rights here: www.oxfam.org.uk/what-we-do/issues-we-work-on/womens-rights

Global causes of economic inequality

While many in-country inequalities are the result of national government policy, the actions of a country's government may also be affected by global inequality. These external factors can exacerbate both in-country and between-country inequalities.

Historical causes

Many people believe that inequality is somehow inevitable, or is a necessary consequence of globalization and technological progress. However, the experiences of different countries throughout history have shown that deliberate political and economic choices can exacerbate or ease inequality.

The nature and relative influence of these choices may be contested, but there is no doubt that the last three hundred years have seen an enormous income (and broader development) gap open up between richer and poorer countries. The historical causes of this polarization are a complex interplay between colonialism, politics, technology and institutions, with many of these factors still at play today, maintaining and exacerbating inequalities between countries. Having more advanced technologies and strong institutions such as secure property rights or a reliable legal system mean that businesses are more likely to invest for the long-term. As a result people are more likely to find jobs, and their government is able to secure more income from the collection of taxes. When this works well, it forms a virtuous circle, because this enables a government to spend on essential public services such as health and education that in turn reinforce economic growth and employment as people are able to do more productive and better paid jobs.

However the ideal of this virtuous circle of investment, tax and public services is often frustrated by politics, which is importantly influenced by global factors. One such challenge is the effects of colonialism which still leave multiple imprints on developing societies today – such as the exploitation of natural resources to the benefit of colonial trading powers, and now multinational companies, rather than local communities; the artificial creation of nation-state borders around groups of people that had no history of being a nation; or the imposition of European-style institutional structures without adaptation to local context. The power imbalance between countries that created and was greatly exacerbated by colonialism is still seen today in the disproportionate influence that ex-colonial powers continue to hold in major global institutions such as the UN, the World Bank and the International Monetary Fund.

In more recent history, the debt crises of the 1980s and 1990s saw the international community coerce countries in Latin America, Africa, Asia and the former Eastern bloc into extreme policies of deregulation, rapid reductions in public spending, privatization, financial and trade liberalization, generous tax cuts for corporations and the wealthy. These so called 'structural adjustment programmes' damaged economies and worsened inequality. The legacy of these programmes in terms of underinvestment in health and education is still being felt in many poorer countries. For example, by 2000, inequality in Latin America had reached an all-time high, with most countries in the region registering an increase in income inequality over the previous two decades. It is estimated that half of the increase in poverty over this period was due to redistribution away from the poorest to the richest. In Russia, income inequality almost doubled in the 20 years from 1992, after economic reforms focussed on liberalization and deregulation.

Unregulated markets

When regulated, capitalism can be a very successful force for gaining prosperity with equality. Starting first in Europe and North America, then in Japan, South Korea and other East Asian countries, governments have used the market economy to help bring a dignified life to hundreds of millions of people. However, since the 1980s, economic ideology has been dominated by such over-optimism in the power of markets that some authors have labelled it '*market fundamentalism*'. Market fundamentalism maintains that sustained economic growth only comes from reducing government interventions and leaving markets to their own devices. However, without regulation, the market tends to polarize incomes in the same way as they polarize in the popular game of Monopoly where the incomes of people who possess assets such as Mayfair and Park Lane tend to rise faster than the incomes of people without assets who are reliant on passing 'Go' for their incomes. This difference in the growth of incomes between those with capital and those without drives inequality. It is an effect which has been seen in recent decades in the UK, where house prices have risen faster than wages, making it harder for those without property to catch up. Wealth is then concentrated in the hands of the few, with a widening gap between rich and poor.

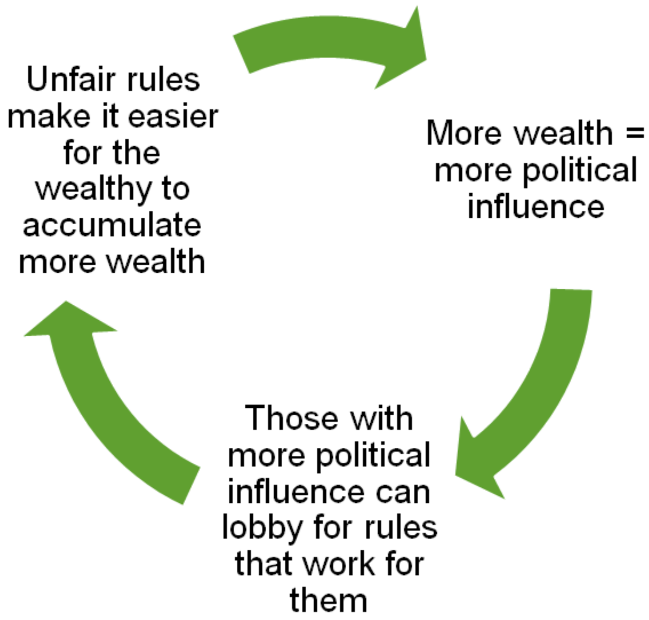
Many of today's richest people made their fortunes thanks to market fundamentalism. Mexico's Carlos Slim – who rivals Bill Gates as the richest person in the world – made his many billions by securing exclusive rights to the country's telecom sector when it was privatized in the 1990s. Since his monopoly hinders any significant competition, Slim is able to charge his fellow Mexicans inflated prices, with the costs of telecommunications in the country being among the most expensive in the world. He has subsequently used his wealth to fend off many legal challenges to his monopoly[iv].

The prominence of market fundamentalism at the international level undermines the ability of national governments to pursue the regulation and taxation that are needed to keep inequality in check. While at one level it is the country government's responsibility to ensure resources are shared fairly by its citizens, it is not operating in a vacuum and its policies can be affected by external factors. For example, in the so-called ‘race to the bottom’, transnational companies seek to invest in countries which offer the lowest taxes, lowest wages, least stringent labour rights and environmental regulations in order to maximise their profits. Therefore a country’s government might feel under pressure to meet some of these requirements to avoid losing the potential business. Bribery and corruption can feature too. All this can mean that not only are workers paid less and working in poorer conditions but also that the country’s government has less money to spend on public services such as health and education. Yet we know that spending on these services has a great capacity to reduce inequality.

Capture of power and politics by elites

Perhaps the most dangerous effect of inequality to the wellbeing of a society is the relationship between economic inequality and political inequality. When a country has very high levels of inequality, it means that a small elite are disproportionately wealthy, and therefore likely to have a disproportionate say in the way a country is governed. This forms a vicious circle. The elite are able to press the government to enact rules which favour their businesses and interests. This makes them richer, even more powerful and even more able to set rules which favour their businesses over others’. For example, in 2013 in the US, more companies engaged lobbyists to work on federal budget and tax issues than any other issues[v].

Often these rules constrain decision-making by governments and have a bad effect on the poorer members of society. The gap between the rich and the rest drives this power imbalance which means that those who are already poor are in a weaker position for holding the government accountable, resulting in less investment in measures which reduce poverty such as education and health. Thus *economic* inequality can lead to *political* inequality where elites can influence how the economy evolves which may result in the perpetuation – and even polarization - of economic inequality.



Yet, as demonstrated by the behaviour of European governments following the Second World War, governments are in a position to do something about this. For example, they can reduce political inequality by narrowing the income distribution through progressive taxation, ensuring that no group has disproportionate influence. They can also use the proceeds of this taxation to fund universal access to health and education so that there is a level playing field of opportunity for all its citizens; and finally they can take steps to eradicate exclusion and better regulate markets to ensure that economic growth benefits the many rather than the few.

Note that inequality is not just a developing country issue – in fact some of the sharpest increases in inequality since 1980 have been seen in the US and UK. For example, in the US, 95% of the post-2008 financial crisis growth was captured by the richest 1%, while the bottom 90% got poorer. Meanwhile, in Spain, the world's fourth richest man, Amancio Ortega, increased his fortune by several billion US dollars at the same time as 1 in 4 people were unemployed[vi].

For further information, see Oxfam's 'Even it up: time to end extreme poverty'

policy-practice.oxfam.org.uk/publications/even-it-up-time-to-end-extreme-inequality-333012

You might also like to refer to this Oxfam inequality campaign video: www.youtube.com/watch?v=bL3MN8WLCQI&feature=youtu.be

It is important to make it clear to your learners that this is Oxfam's viewpoint on causes of inequality and that other people, organisations and institutions may have different opinions and ideas.

What can be done about inequality?

The continued rise of economic inequality around the world today is not inevitable – it is the result of deliberate policy choices. Governments can start to reduce inequality by rejecting market fundamentalism (see above), opposing the special interests of powerful elites, changing the rules and systems that have led to today's inequality levels, and taking action to level the playing field by implementing policies that redistribute money and power.

In a world where most countries face widening income disparities and economic inequality is thriving, most governments face the challenge of making economic growth inclusive across geographical area, ethnic groups and gender. Free public health and education services are a strong weapon in the fight against economic inequality because they benefit the poorest most. They lessen the effect of a wide income distribution by providing a 'virtual income' for the poorest people because they no longer have to pay for these services themselves.[vii]

Furthermore, if unequal countries invest in health and education through raising funds from taxation where the rate of tax rises as income rises, there is a double benefit for poorer families. Firstly they gain by paying less (or no) tax and secondly they benefit from free health and education services – a virtual income which can exceed their own income.

Investing in free education and health is also a proven way to tackle the gender inequality that keeps women and girls out of the classroom and prevents them from learning to read and write. Free public services are an investment in a fairer future for everyone, and prioritising these services is crucial for enabling a society to be run in the interests of the many rather than the interests of the privileged few.

How Oxfam would like governments to tackle inequality

While Oxfam has long recognized poverty issues linked to between-country inequality, it is becoming increasingly apparent that injustice, extreme inequality and poverty will also persist if we do not address growing levels of in-country inequality too. Therefore Oxfam believes that solutions need to be sought both at international and national levels, with governments working together to tackle inequality by taking steps to eradicate exclusion and better regulating markets to benefit the many rather than the few.

Different countries have different challenges – not least because they start from different places – but Oxfam encourages all governments to reduce inequality by considering the following actions:

- Make tax fair, with rules that ensure everyone – including rich people and multinational companies – pays their fair share.
- Invest the missing billions lost by broken tax systems, as well as money from other sources, in healthcare, schools and other vital public services that make such a big difference to the lives of the poorest people.
- Ensure that hard work pays, which means secure jobs with fair wages for both women – whose work is often lower paid and less secure – and men, giving them the chance to work their way out of poverty. It also means fair deals for small farmers and others who survive by selling the fruits of their labours.

Make it clear to your learners that this is Oxfam's viewpoint on solutions to inequality and that other people, organisations and institutions may have different opinions and ideas. Exploring these could form the basis of a useful debate.

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[i] Round 3 Survey Reports for Ethiopia, India, Peru and Viet Nam (Young Lives, 2011)
[ii] A Tale of Two Britains (Oxfam, 2014)
[iii] *Global Employment Trends for Women* (International Labour Organisation 2009)
[iv] OECD (2012) 'OECD Review of Telecommunication Policy and Regulation in Mexico', OECD Publishing, cited in 'Even it up: time to end extreme inequality' Executive Summary (Oxfam, 2014)
[v] Wealth: Having it all and wanting more (Oxfam, 2015)
[vi] Even it up: time to end extreme inequality' (Oxfam, 2014)
[vii] Working for the Many (Oxfam, 2014)