

Winnie Byanyima World Bank Lecture: Fighting Inequality and the Problem of Extreme Wealth

As Prepared for Delivery

INTRODUCTION

Thank you Kaushik and thanks to you all for coming today. It is truly an honour for me to be invited to contribute to a series of talks which has had such eminent speakers.

Let me start with introductions. I expect you have heard of Oxfam; but how much do you know?

Did you know that we were founded in Oxford in 1942, in the middle of the Second World War? The Oxford Committee for Famine Relief was always a campaigning organisation. Its foundation activity was to lobby for the relaxation of the allied blockade to occupied Europe, to allow food to starving civilians in Greece and Brussels.

Did you know there are in fact 20 Oxfams worldwide? From Oxfam New Zealand to the soon to be named Oxfam Denmark. But our most exciting future lies with those independent Oxfam affiliates from the South: Brazil, India, Mexico, China and South Africa. The International Secretariat, which I head, has the task of convening and supporting this united nations of Oxfams, working in over 90 countries across the globe.

And finally, did you know that last month one Oxfam thrift store in Wales had to request that people stop donating copies of "50 Shades of Grey"? They had more than they could possibly re-sell and had resorted to building a small fort out of them in the stock room instead.

At least one of those must have been news to you.

I came to head up Oxfam International in 2013, after a career which has taken me from being an aeronautical engineer, a member of parliament in my home country of Uganda, to the African Union and most recently to UNDP.

In leafy Oxford, just around the corner from the original Oxfam shop, I can sometimes find myself wondering how I got so far from home. But then I remember what draws me to Oxfam and what we share:

Firstly, we have both, throughout our lives, put women's rights at the heart of everything we do. My mother and grandmother are my inspiration for this in my life, but I know that their courage is replicated a thousand-fold around the world in the communities with whom Oxfam works.

I also recognise in Oxfam a commitment to justice that I share. It's not enough to ask what works, one has to ask what's right. When I was growing up in Uganda my best friend and I walked to school together every day. I had shoes. She didn't. I didn't understand why at the time. Presumably it was something to do with the greater demand in the local economy for my father's skills compared to her father's. But to be honest I still don't really know now - as an adult - why that means one small girl from the same village as me couldn't have shoes.

And finally, I have never known either of us to shy away from a fight. Oxfam has come to blows with the pharmaceutical industry, the arms trade, and the apartheid regime in South Africa. Maybe it's because I grew up under a violent dictator and eventually saw him overthrown, but I also feel that that there is no opponent too big to take on.

NEW THREATS: INEQUALITY AND CLIMATE CHANGE

So that is us. But what about you? Forged in the same war, the World Bank took the same path from European relief and reconstruction to addressing global poverty. In fact we are both examples of how, faced with suffering and ruin, humanity is able to organise itself to respond: Whether that be a new international bank to help rebuild a continent, or a small committee of citizens in Oxford who inspired a global movement.

And we both have a duty to continue to reform ourselves. We must change and innovate as the nature of injustice and the geography of poverty changes.

President Jim Kim spoke earlier this month of the complex and vexing challenges that the world now faces: He rightly identified the problems of epidemics, the movement and displacement of millions of people, and of course the existential threat of climate change. But I believe that

intertwined with much of this is the growing global inequality crisis. This is a crisis that has led to just 62 people owning the same collective wealth as the poorest half of humanity. The global 1% now own more than everyone else combined.

And let us not forget that this complex and vexing world is largely a world of our own making. The widening gap between rich and poor and the rising temperature of our planet are not just natural phenomena. They are signs that much of what we have been doing, especially in terms of models of economic growth, has been wrong.

The question now is: faced with this challenge, how will we change and how will we respond?

LEAVE NO ONE BEHIND; LET NO ONE GET TOO FAR AHEAD.

We have started.

Last year world leaders signed a Sustainable Development Goals framework that recognises not only poverty but inequality at its heart; and the Paris deal on climate change means we must now get onto a pathway for net zero emissions by mid century.

These agreements hold much promise. And the mantra we all share now is a good one. It is to “leave no one behind”.

But what about not letting anyone get too far ahead? Should that be a concern for both of our institutions as we try to meet these new goals and targets?

At Oxfam we are increasingly aware that when it comes to tackling climate change and poverty, we have look at what is going on with the haves, as well as the have nots. We have to focus on those at the top as much as on those at the bottom.

TAX DODGING

The first reason for this is perhaps the most simple: Because the very rich are holding too much money and not paying their taxes.

Whether it's in the bank accounts of the billionaires who could not hope to ever spend what they have, or part of the \$7.6 trillion dollars estimated to be kept in tax havens. Too much money is in the wrong place to be useful.

This wealth could save lives. The Berkeley economist Gabriel Zucman calculates that around 30 percent of all African financial wealth is held offshore, costing that continent about \$14 billion in lost tax revenues every year. This is enough money to pay for healthcare for mothers and children that could save 4 million children's lives a year and employ enough teachers to get every African child into school.

The news in recent weeks has been full of stories of offshore finance. The use of tax havens appears to be commonplace amongst the rich and powerful. But this doesn't mean that we can overlook its impact. Especially if we want to combat poverty.

Oxfam's report this week found that 51 of the 68 companies that were lent money by the IFC in 2015 to finance investments in sub-Saharan Africa use tax havens. The IFC is part of a World Bank group working for shared prosperity. It cannot turn a blind eye to the tax dodging of the companies it works with. We have to see change here.

ELITE CAPTURE

The network of tax havens is perhaps the most obvious example of one rule for those at the top and another for those at the bottom, but it is not the only one.

The second reason to pay attention to those at the top is because they are the ones writing the rules.

They are writing the rules for themselves, and through their political power they are writing the rules for the rest.

Whether it be to lower their own taxes, to financialize public services, or to liberalise markets whilst expecting bailouts, there are no shortage of global examples of elite capture of the policy making process.

In the US, the two issues which are lobbied on the most, according to the centre for responsive politics, are the federal budget and appropriations and taxes. Across the developing world, corporate bullying dressed up as tax competition is undermining the tax base of governments as surely as any illicit financial flows.

At the other end of the scale, the power of ordinary workers to look after their interest is under attack. Collective bargaining by unions typically raises members' wages by 20 percent and drives up market wages for everyone. But with repressed unions and weaker labour laws the reverse is true. Over the past three decades the share of income going to labour has been declining in most countries around the world, while the capital share has been rising.

As President Jim Kim said last year, the era of trickle-down is over. Elites have done what they can to ensure they do not have to share growth. Wealth creators have been exposed as wealth hoarders, and the poor are written out of the game.

And this isn't just bad for the poor. It's bad economics. Various studies, including from the IMF and the OECD (and perhaps most famously Henry Ford) have made the case that inequality is bad for growth itself.

GENDER

So who are these rich elites? It is not just a coincidence that the vast majority of them are men.

According to Forbes magazine, there are currently 1826 billionaires in the world of which 11% are women. Only 29 of these women are 'self-made' billionaires. The rest inherited their wealth from fathers or husbands.

Meanwhile, women make up the vast majority of the lowest-paid workers and those in the most precarious jobs.

The same forces that are creating economic inequality are creating gender inequality too. As rich men write the rules, it is poor women who lose out the most.

I recently spoke with a colleague of mine at Oxfam who had himself just returned from Myanmar. He had been interviewing young women who work in factories producing clothes for high street brands like H&M and GAP, who are members of labour rights organisations with whom Oxfam works.

These women work six days a week, sometimes seven, sometimes working up to 23 hours a day, earning less than \$4 a day for their labour. They struggle to make ends meet. They frequently fall into debt. If they get sick they don't get paid, and if they get pregnant they lose their job.

I mentioned before how 62 billionaires now have more wealth than the bottom half of the world combined. Four of them - all men - made their money primarily out of the garment industry. It is an industry within which big firms are consistently using their dominant position to insist on poverty wages for those at the bottom of their supply chains. Between 2001 and 2011, wages for garment workers in most of the world's 15 leading apparel-exporting countries actually fell in real terms. The men at the top get all the rewards for selling cheap clothes. The women at the bottom take all the risks.

This is a snapshot from one industry, but it is a pattern repeated across the economy. And it is why Oxfam argues that any efforts to promote women's economic empowerment have to go hand in hand with tackling economic inequality.

Today there is welcome attention on Women's Economic Empowerment. But is this about making the economy work better for women, or about women just working harder for the economy? If it is simply about getting more women to work sewing clothes for \$4 a day then the people doing the best out of women's economic empowerment are likely to be rich men.

CLIMATE CHANGE

And the final reason to care about those at the top as well as those at the bottom is because those at the top are overwhelming responsible for driving climate change

Even if governments implement every single one of the commitments made in Paris, our planet is still set to warm by at least 2.7C - and for the poorest and most vulnerable around the world, that spells disaster.

The injustice at the heart of this is that the poorest half of the world's population - 3.5 billion people - are responsible for just 10 percent of carbon emissions. In contrast the world's richest 10 percent produce around half.

It would take my uncle in Uganda 180 years to register the same emissions as the average American would in one single year.

It's hard to imagine a route to the much deeper emissions cuts we still need to find - in the time scale we have left to find them - without much deeper reductions by the richest in our societies whose lifestyles are responsible for the majority of them.

And this is about us all in this room, not just the mega-wealthy.

But of course those companies and individuals who have profited exorbitantly from fossil fuels over the past 150 years remain the principal barrier to the accelerated climate action we need - and without doubt they are the only ones who will benefit from our failure to act.

Between the Copenhagen and Paris climate conferences, the number of billionaires on the Forbes list with interests in fossil fuel activities rose from 54 to 88, while the size of their combined personal fortunes expanded by around 50%.

These vested interests spend hundreds of thousands of dollars per day in lobbying in Brussels and here in DC alone, casting doubt on the science of climate change, slowing and weakening the public policy response at every turn, subverting our democratic processes through campaign donations. The impact of their actions will be felt first and foremost by the very poorest.

RESPONDING TO INEQUALITY

The growing inequality crisis really is a strong sign that we need to change the way we've been addressing poverty.

Once we recognise that we need to take account of those at the top as well as those at the bottom; once we realise that that the voices of the powerful must be hushed, so the voices of the weak can be heard; Once we start to challenge some of the assumptions we've accepted as economic orthodoxy, then we realise we need to frame our policy solutions differently.

This is a journey that Oxfam is taking, and I am pleased to see that it is one that the World Bank is on as well. I want to congratulate you on adopting the goal on Shared Prosperity. This is significant step and I have great hopes this will start to influence policy across the Group. In future years we will ask how this goal, and goals for women's economic empowerment, were ever reconciled with the privatisation and promotion of user fees in education. We will ask how were private sector investments made without checking on the tax practices of those companies? I don't believe such contradictions can last for much longer.

But there are some wider areas I would urge you to think about:

MEASURING INEQUALITY

First, let's talk data. I do welcome the shared prosperity goal. But a focus on growth of the bottom 40% - with no reference to the top - will not succeed in tackling the differences in wealth, income and power that characterise extreme inequality.

And whilst it is significant to go from an argument that growth is good for the poor to an understanding that growth has to be pro-poor, the scale of inequality today is so vast that even pro-poor growth means very little in real terms.

Think about a very impressive sounding annual growth rate of 100% for someone on \$2 a day. This takes them to the grand total of \$4 a day. Compare this with what it means for a billionaire to see his income rise by just 1%. Just measuring relative growth rates will tell us little about the real gap between rich and poor, or how to reduce the power and influence of the most wealthy.

The truth is that no one inequality measure can tell us the whole picture: Whether you look at Gini, Palma, or you measure income or wealth. They are all indicators of different but important

natures of the problem. But we need to use them all to ensure a fair picture, and measurements of absolute inequality should be included.

What we know for sure though is that the data we have is inadequate, that it needs to be improved greatly, and that the World Bank has a key role to play in this.

POLITICAL VOICE AND CIVIL SOCIETY

How else should you respond?

When it comes to inequality, political power and voice is everything. The young women Oxfam met sewing garments in Myanmar knew this. Though they only had only one day off a week they were spending it learning about unionisation, and what this had done for workers like them in Thailand and Bangladesh. For them \$4 a day was not enough. Not enough to have any real choices or fear of debt. And yet they were in a world that counts them as being out of poverty because they are living on well over a \$1.90 a day.

No one who really had to live on \$1.90 a day would decide that that was enough to be above the poverty line. But no one on \$1.90 a day has had the chance to make those decisions.

In a world of economic inequality and such great differences in political voice, civil society provides the oxygen for citizens to participate and hold their governments and the private sector to account. And yet in 2014 CIVICUS identified serious threats to civil society in over 90 countries — something we witness first-hand in our work with civil society organizations around the world.

For ordinary people, this can translate into direct repression, new legal restrictions on legitimate civil society action, funding checks and, in some cases, a crackdown on communications technology. All development actors should be concerned by this.

I also believe that larger INGOs such as Oxfam should challenge themselves to speak with those living in poverty. Not to speak for them. Our vision by 2020 is to be a truly global organisation, not one focused the North and delivering in the South.

From later this year our headquarters will be moving to Nairobi. We have already increased the number of country offices who have full affiliate status and equal representation in Oxfam governance, alongside the larger northern Oxfams, and we fully intend this number to grow.

We also do what we can to bridge the gaps between communities and formal power. For instance we have been working with civil society partners - bringing important voices to the table - to actively engage in the World Bank Safeguards review process.

LAND

I want to dwell for a moment on this issue of the Safeguards and land rights.

Conflict over resources is nothing new. But in a world of such inequality, those fighting for such resources and assets live such different lives that it sometimes feel they have very different ideas of what they are fighting for.

Take a house in central London: To the business magnates of the world it is a very good investment. To a family on the housing waiting list it is four walls, a secure door and a roof. To a mother of a hungry child, grain is food. To the traders of the world it is a commodity.

And land. To the companies buying and selling huge tracts of it, it is an asset in their portfolio. To the 2.5 billion people who directly depend on land and natural resources, that land is everything: Home, income, wealth; Identity, inheritance and legacy.

This is why Oxfam doesn't just focus on individual land rights, but community and indigenous land rights too. Together with allies we've just launched the Global Call to Action on Indigenous and Community Land Rights.

The stakes are high, on both sides. The amount of arable land is under pressure - its value to investors increasing. Those 2.5 billion people only have formally recognized ownership over 10% of the world's land, leaving many vulnerable. In this context speaking out and using voice can have tragic consequences, such as the murder of the Honduran human rights and environment activist, Berta Caceres.

Here the role of the World Bank Group is enormous. Through the safeguards you mandate you set the standard for many other institutions. In this current review of your safeguards we implore you to give greater weight to the real value of land for people, and put indigenous rights, human rights, and gender justice at their heart.

CHALLENGING ECONOMICS OF THE 1%

As I come towards the end of my lecture today I want to issue one more challenge to you:

I urge you to question the economics of the 1% that has dominated so much of the debate for thirty years.

Academia and the economics profession has not been immune from the malign influence of money. In return the world of money and politics has been only too happy to celebrate the economists who tell them what they want to hear.

In many ways what has been preached is nonsense, and certainly will not help us meet our current crises:

We celebrate GDP still above all else, ignoring the distribution within it so that a growing economy masks the poverty within.

We treat a planet at crisis point as an externality that can be shunted into a future generation. Except that now it can't and we're threatening the here and now as we continue to act as if we had the natural resources of several planets, not one.

We push for women's economic empowerment, and yet continue to ignore the fact that women already labour, already produce, and already add value. But because this is the caring or reproductive economy it is valueless to our way of thinking. Famously if a man marries his maid, her work becomes no more than her wifely duty and GDP falls.

VISION OF HUMAN ECONOMY

I will not be the first to have raised this issue of rethinking economics, but I believe that I am more optimistic than most. I do believe that we are poised now, like never before, to redefine the very nature of what we mean by an economy. To move from a mechanistic, unsustainable, male, economy for the 1%, to a human economy.

The Human Economy for Oxfam is one in which governments act on behalf of the majority, and not in the interests of a tiny but powerful elite.

It is one in which we live within the boundaries of our planet; in which we ask how the economy can work better for women, and not the other way round.

But it is not about taking the economy backwards: but evolving it forwards.

TECHNOLOGY AND GOVERNMENT

Take technology: Technology has incredible power to liberate, especially for women. Think of the power of electricity, grinding maize, or pumping water, releasing women from countless hours of backbreaking work and allowing children to study once the sun has gone down.

But too often technology is bad news for the poor. Oxfam has been working with tea pickers in Assam, in India. With some support from us, they have been successful in driving up their wages and their working conditions. But now the bosses are raising the possibility that, if wages go up any more, they might decide to invest in machines that can take the place of the tea pickers almost entirely. Whole communities would become jobless, with no realistic prospect of finding any alternative employment in the area.

A human economist would not accept the impact of technology, but ask: What responsibility do we have to ensure that people benefit from new technology rather than being replaced by it?

And as well, too often technology is not developed to meet the problems of the poor. It strikes me that Viagra is all the rage, whilst malaria still ravages much of the world with no vaccine.

Of course, it is right that those there should be fair reward for those who pioneer new technologies – often they invest significant sums and take risks in the process. That's why copyright law and intellectual property rights exist. But there must be limits to this. Such patents can create monopolies, allowing their owners to accumulate vast wealth that is wildly disproportionate to the investment they've made. Furthermore they can skew priorities.

A human economist would ask: who controls the technology, who stands to profit from it, and are there glaring inequities because of this?

What this will take is a greater and more imaginative role for Government.

In retreating in fear from actively regulating and directing the economy, governments are not being neutral; they are letting the powerful take control. Accountable, democratic government is the most powerful equalising force that humanity has ever invented.

BUSINESS

This is not to be anti-business. Oxfam works with numerous private sector actors to find innovative ways to help those in need. But it is to question business as usual.

In a human economy there is room to think creatively about different ways of running our private sector companies.

This could mean creating more democratic decision making processes within companies or at a greater level it could be more adoption of employee-ownership models. At Oxfam, we are proud of our role in supporting co-operatives such as Amul, now India's largest milk brand – which is jointly-owned by 3.6 million Indian dairy farmers.

And it is important to state that business is not the answer to everything. Whilst it is true that private sector investment will be necessary if we are to achieve the ambition of the Sustainable Development Goals, it is sensible for us to identify which goals this may be more appropriate for – sustainable energy perhaps – and which must remain truly publicly funded – universal health coverage for example.

CONCLUSION

So let me say thank you for coming today, and to listening to my analysis and vision.

Maybe I sound naive, maybe I sound radical, or maybe you've heard it all before and think it just won't work.

But I ask you - won't work compared to what? Compared to runaway climate change?

I ask you, radical compared to what? Compared to justifying wealth so fast that 62 people own the same as 3.6 billion others?

And naive compared to what? Compared to the idea that we can carry on the same and expect a different result. That, I believe, is not naivety but the definition of madness.

We responded once before, in the ashes of war.

Let us respond again.