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DEVELOPMENT: In Crisis, The Rich Get Richer

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PARIS, Dec 7 (IPS) - Mansions on one side of the road, and slums on the other. People queuing for food rations, while others drive by in shiny Land Rovers with tinted windows.

These are just some of the sights that have confronted Danielle Nierenberg as she traveled through 30 countries to supervise the Worldwatch Institute's report titled 'State of the World 2011: Innovations that Nourish the Planet'.

"You can see the stark differences within a single country very easily, and you see it every day," she told IPS. "In Africa it doesn't look like the recession has affected the very wealthy. It has affected poor people the most."

Nierenberg was in Paris this week to launch 'Comment Nourir 7 Milliards d'Hommes' (How to Feed 7 Billion People), the French edition of the Washington-based think tank's report.

While that publication focuses mostly on agriculture in Africa, its launch coincided with the presentation of a new report Monday by the Organisation for Economic Co-operation and Development that spells out the rising gap between rich and poor in the OECD's 34 member states.

Both surveys are a call to governments to take action to alleviate poverty and inequality, and to invest more in people who need assistance, whether in developed or developing countries. The OECD report puts in figures and graphs what is a reality for many people working on the ground in various regions.

Called 'Divided We Stand: Why Inequality Keeps Rising', the OECD survey finds that the "average income of the richest 10 percent is now about nine times that of the poorest 10 percent" across the organisation.

Even in "traditionally egalitarian countries", such as Denmark, Sweden and Germany, the income gap has risen from 5 to 1 in the 1980s to 6 to 1 today. The gap is 10 to 1 in the United Kingdom, Italy, Japan and Korea, and higher (at 14 to 1) in the United States, Israel and Turkey, according to the report.

New data for the United States show that the "share of after-tax household income for the top 1 percent more than doubled" from 1979 to 2007, while the share of the "bottom" 20 percent of the population fell from 7 percent to 5 percent.

"This is one of our most important assessments," said the OECD's Secretary-General Angel Gurria as he launched the report at the organisation's headquarters here. "We say 'divided we stand' because we have grown unequally."

Gurria said that "only a few countries have managed to buck the trend." Income inequality has recently fallen in Chile and Mexico, but in these two countries the incomes of the richest are still more than 25 times those of the poorest, he said.

Outside of the OECD area, income inequality is much higher in some major emerging economies. For instance, although the Brazilian government has taken measures to redistribute wealth, with inequality falling over the past decade, the country's income gap is still 50 to 1, or five times the OECD average, the report says.

"There are countries that are non-OECD members, where a sustained period of strong economic growth has allowed some emerging economies to lift millions of people out of absolute poverty," Gurria told journalists.

"The benefits of strong economic growth, however, have not been evenly distributed. High levels of income inequality have risen further. Among the dynamic emerging economies, only Brazil managed to strongly reduce inequality."

The OECD says that the main reasons for the rising income gaps have been greater inequality in wages and salaries, the reduction in benefits, and cuts in top tax rates for high-earners.

Both Gurria and Nierenberg said separately that the global economic crisis has increased the urgency for governments to take action on these issues.

"The social contract is starting to unravel in many countries," Gurria said. Uncertainty and fears of social decline and exclusion have reached the middle class in many societies. People feel that they are bearing the brunt of a crisis for which they have no responsibility while those on high incomes appear to have been spared."

He said that the OECD's recommendations included increasing marginal tax rates on the rich. "When you're talking about the wealthiest of the wealthy, we're saying that there is room to increase the tax rate," he said in response to a question. "We're recommending increased consumption taxes, increased property taxes and increased taxes on carbon."

He, however, shied away from discussing the OECD's position on the financial transactions tax that has been proposed by many non-governmental organisations as well as some leading economists.

Guillaume Grosso, the director in France of anti-poverty group ONE, said that simply raising the tax rate on the wealthy is only a part of the solution to inequality.

"While some businesses are taxed and those taxes will serve to redistribute the money towards the poor, clearly the financial sector has not been paying its fair share, and some would argue that the financial sector is responsible for the troubles that the world is experiencing now," he told IPS.

"The idea of the FTT for development is very simple – you introduce a very small duty on financial transactions. It's relatively painless but it's fair. And it's the first time we are asking for an effort from the financial sector and then we could use this money to fight poverty in the countries that need this assistance the most," he added.

Grosso said that the OECD report has also failed to address the issue of transparency.

"We basically need to know how the state is using the money that it has," he said. "One of the key issues is that very often, and in particular in the poorer countries, it's very difficult to know how the government uses the money. One of the striking examples is Equatorial Guinea in Africa where you have a GDP per capita that is similar to Greece or Portugal and yet two-thirds of the population live on less than one dollar a day."

ONE advocates setting up a legal framework that should be adopted by rich countries so that "we know where their oil and gas companies put their money for instance," Grosso said.

"We want transparency in the way they publish what they pay to governments. This is the kind of thing that the OECD cannot say."

For her part, Nierenberg would also like to see transparency, especially in the way that rich and emerging economies are buying farm properties ("land grabbing") in Africa, increasing poverty and inequality in some countries.

"When food prices have risen so high and people’s incomes haven’t risen along, you see the effects of that: kids with bloated bellies, all the typical signs of malnutrition and impending famine in ways that you wouldn’t have seen maybe five or six years ago," she told IPS.

(END/2011)