

13 In my view: Ending inequality is a political choice, and aid can play a pivotal role

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Since 2020, the five richest men in the world have doubled their fortunes, yet 5 billion people are worse off. The gap between rich nations and the rest of the world is growing for the first time in 25 years. Tensions between the Global South and the Global North are running high. At four years into the 2020s, this is already fast becoming the decade of division.

It is a fact that inequality undermines all aspects of successful development. This is not just the view of Oxfam or civil society. It is based on clear and compelling evidence from the United Nations, the World Bank, the International Monetary Fund and extensive academic research. We know more equal societies grow faster; reduce poverty more quickly; and are happier, healthier, safer and less politically polarised. We know that the richest people are the biggest emitters of carbon and that reducing inequality is essential if we are to stop climate breakdown. We also know that reducing inequality is perfectly possible; many countries have successfully done so. This means that today's extreme levels of inequality are a political choice, not an inevitability.

Sustainable Development Goal (SDG) 10, focused on reducing inequalities, has been one of the worst performing of the SDGs (Martin, 2023^[1]). OECD Development Assistance Committee members have been slow to take the practical, proven steps needed to support governments in rapidly reducing the gap between the richest and the rest. Fortunately, this is changing. For the first time in history, the World Bank has set a corporate goal targeting a reduction in inequality, and several donor countries are sharing best practices on how this can be done through their development co-operation. But much more needs to be done.

First, as bilateral donors, rich countries need to start by taking inequality seriously. This means equipping their political and technical staff with the tools and expertise to mainstream inequality reduction. Every development co-operation agency should have an expert team providing support to their colleagues to factor inequality reduction into the design, implementation and evaluation of programmes. Some are already trying to do this, such as the European Commission with the appointment of an advisor on SDGs and inequalities.

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Second, they should prioritise supporting countries to develop clear, ambitious and timebound targets to reduce inequality. To support these, we need a revolution in inequality data to capture what happens at the top as well as at the bottom of the economic ladder. Income and wealth inequality must be regularly measured and shared publicly so policy makers can take informed decisions about the impact of reforms on distribution and citizens can hold them to account.

Third, we need to see far greater investment in sectors proven to reduce inequality fast such as health, education and other universal public services as well as wide-scale social protection programmes for all. Classrooms, clinics, taps, toilets, delivered by the public sector, make all the difference to closing the divide. Conversely, evidence tells us that private health and education are not a solution (Seery, 2014^[2]); they drive up inequality, making health or education only available to those who can pay.

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Another key area is progressive taxation. Governments need more revenue, but they must raise it in ways that ensure the richest pay more and not in ways that will increase poverty and inequality. We need to see higher rates of income tax at the top. Many countries lack property taxes, capital gains taxes or inheritance taxes. We need to see action to stop industrial levels of tax dodging by rich individuals and corporations. Let's see every country increase the taxation of the richest in the next few years to help close the gap.

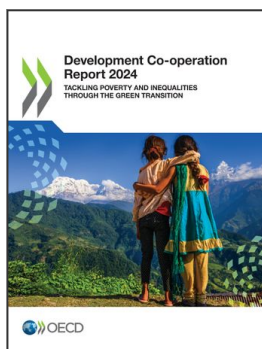
When operating at the multilateral level, donors have a whole set of spaces available to join efforts in pursuit of an inequality reduction agenda. Take the International Development Association, for example, whose replenishment is currently being negotiated. The International Development Association's impact could be maximised if it had inequality reduction as its key goal.

Platforms like the OECD's Community of Practice on Poverty and Inequality are key. It is crucial that donors maintain their support of these spaces while opening new ones in every organisation with a role in development co-operation.

We urge donors to make this the year where they truly invest in tackling inequality. The Financing for Development process, culminating in Madrid in 2025 and with the Summit of the Future in September 2024 as a key milestone, offers a precious opportunity to build a global consensus on tackling economic and power inequalities for the achievement of the SDGs. Let's build a Madrid Inequality Consensus where rich donor nations agree to support and underwrite a historic move by nations across the world to build more equal societies. That would be a wonderful thing.

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