The poor are getting richer

And other dangerous delusions
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All of this report and a series of interactive infographics can be found online at www.globaljustice.org.uk/delusions

Written and researched by Alex Scrivener

Additional thanks to: Nick Dearden, Polly Jones, Sam Lund-Harket, Corin Pearce, Kevin Smith and Morten Theyson.

Report design: www.revangeldesigns.co.uk
Infographic design by Richard Scott Design

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Global Justice Now
66 Offley Road, London SW9 0LS
+44 20 7820 4900 | offleyroad@globaljustice.org.uk @globaljusticeuk | www.globaljustice.org.uk
Registered Charity No 1055675

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In January ‘the great and the good’ meet in Davos, Switzerland to discuss how the world is changing, and how corporate executives and senior politicians should respond to these changes. At this meeting, these important people spend a great deal of time convincing each other that they are creating a more prosperous world than we’ve ever seen in history. Without their business practices, their overseas investments, their entrepreneurial talent and their philanthropy, you would easily imagine that we would all be much worse off.

What’s scary to me is that the myths of this elite class have become so deeply engrained in society that it can be difficult to challenge the power that these elites hold. Ideas like creating markets in endangered species that not so long ago would have been considered pretty wacky, if not downright anti-social, are now so mainstream that they present a serious obstacle to building a fairer, more sustainable world for the vast majority of humanity to enjoy. You’re left with the impression that if we just sit back and let them get on with things, all the poverty, inequality, and environmental destruction created by their out-of-control-capitalism would sort themselves out.

What follows is dedicated to challenging these elite myths. The world will not be ‘saved’ by a tiny group of super-rich who have done incredibly well from putting their economic dogma into practice. Hope lies in challenging the power and wealth of this powerful set, and learning lessons from the millions of different ways this is done around the world at this very moment, to try something different. Something which leaves behind the selfish accumulation of wealth as a primary goal, and is instead guided by the desire for a more equal, sustainable, democratic and just world.

Foreword

NICK DEARDEN
Director, Global Justice Now
Myth 1: The poor are getting richer

Since the 1980s, we’ve been told that inequality doesn’t matter. Mainstream thinking has it that you can fight poverty without tackling inequality. This has been part of an attempt to make poverty eradication easier and more palatable to an increasingly dominant right-wing agenda.

The beauty of separating poverty and inequality is that you can care about ‘the poor’ while not worrying about the need for any of the radical changes which might upset your lifestyle. You can both be “intensely relaxed about people getting filthy rich”, as Peter Mandelson said, and also care about very poor people getting less poor.

This embracing of inequality has, unsurprisingly, gone hand-in-hand with soaring levels of it. Today the richest 80 people own almost as much wealth as half the world’s population. The situation continues to get worse. While most ordinary people endure pay freezes and austerity, the world’s richest 300 people became richer by 16% in 2013.

Those who are unhappy with inequality are accused of pursuing the ‘politics of envy’, or as Margaret Thatcher once put it, of preferring that the poor were poorer provided the rich were less rich.

There are two big problems with this argument.

Infant mortality rates are higher in more unequal rich countries

INEQUALITY MATTERS

The first is that inequality does matter. This is not a matter of serious debate. Even the International Monetary Fund (IMF), hardly a progressive voice, has issued a warning that rising inequality is threatening economic growth.4

This is firstly because rich people are far more likely to spend money in ways that do not benefit the majority of people, such as on luxury imported goods or simply stashing it away in an account in the Cayman Islands. The idea that if you get enough tycoons buying yachts, the jobs created by the yacht building industry will be enough to feed everyone else is a fiction.

Second, inequality warps democracy. It raises the voices and interests of tiny elites above the rest of society. This can lead to perverse results and greater corruption, with laws and policies tailored to the personal interests of tycoons and to the detriment of wider society.

“No country has successfully developed beyond middle-income status while retaining a very high level of inequality in income or consumption”

World Bank research paper5

It’s not just the economy that is affected by inequality. Most of the attributes of a decent society – health, education, crime levels, social cohesion – are most present in more equal societies.

Take the USA and Sweden, two countries with similar levels of wealth in GDP per capita terms. The infant mortality rate in the USA is more than double that of Sweden and the murder rate is over three times Sweden’s figure.

THE POOR ARE NOT GETTING RICHER

So it’s no wonder that we find that since the big surge in free market, neoliberal economic policies in the 1980s, while the rich have certainly got richer, the poor have, by and large, stayed poor.

Back in 1981, when the free market revolution was just taking off, there were 288 million people in sub-Saharan Africa living on less than $2 a day (205 million were living on under $1.25 a day). By 2008, this figure had almost doubled to 562 million (386 million on under $1.25 a day). Of course the region’s population has also increased over this period, but even proportionally, there has been almost no improvement in poverty rates in sub-Saharan Africa since 1981.

Other continents have done a little better but mostly because of the arbitrary measures chosen. Why $1.25? Much anti-poverty work has been geared to getting people from just below, to just above the international poverty line. It has been claimed that if you changed the poverty line from $1.25 to $1.27, most recent poverty reduction gains would be wiped out.

In fact the vast majority of the fall in global poverty since 1981 has come from China, a country that, despite engaging its very own state-led, form of capitalism, has not followed World Bank-led free market policies.

THE INJUSTICE OF INEQUALITY

Inequality isn’t good for getting people out of poverty, which shouldn’t be surprising. Poverty isn’t about having a certain amount of money, but the lack of those resources we all need for a decent life; food and water, housing and energy, healthcare, education and decent employment.

Poverty is lack of power. And that lack of power is a direct consequence of others having too much power – ultimately too much control over resources. Wealth comes from exploitation of people and the planet’s resources.

This is why even well-intentioned plans to make the poor richer are doomed to failure if they ignore the question of power. Helping the poor to buy more products or rent more resources from the rich might provide short-term relief, but in the long-term will reinforce the unequal relationship between the two. Just as nineteenth-century American slave owners who decided to treat their slaves better missed the real injustice that they were perpetrating.

The poor will only get richer by radically reducing inequality, which in turn requires confronting power.
We’re told that, while the rich are getting forever richer, it’s OK because the poor are as well. But in places like sub-Saharan Africa, there’s been almost no improvement in poverty rates since 1981.

Number of people living on less than $1.25 a day in Sub-Saharan Africa

- 2008: 386,000,000
- 2005: 394,900,000
- 2002: 390,400,000
- 1999: 376,800,000
- 1996: 349,400,000
- 1993: 330,000,000
- 1990: 289,700,000
- 1987: 256,800,000
- 1984: 232,100,000
- 1981: 204,900,000

Average CEO pay in the UK (*estimated)

- 2008: £3,958,000
- 2005: £3,304,533
- 2002: £2,599,143
- 1999: £1,234,983
- 1996: £879,235
- 1993: £735,941
- 1990: £592,647
- 1987: £449,353
- 1984: £306,059
- 1981: £162,765
Privatisation is the policy panacea of our era. The public sector, it’s argued, is slow, inefficient and prone to corruption. By privatising services such as electricity, water and even education and health, we’re told that they will be run more efficiently than they would be if the sclerotic state were in charge.

The basis for the argument tends to be blind faith in the magic ‘entrepreneurial’ qualities of the private sector rather than solid evidence.

CORPORATE BENEFIT SCROUNGERS

In fact, most privatised public services only work because of subsidies and handouts from the public purse.

Take rail privatisation in the UK.

When former British Prime Minister John Major sold off the railways in 1993, it was meant to herald a new golden era for rail transport. The railways would be more efficient, require fewer subsidies and competition would keep fares low.

Twenty years later, we have a rail network that is among the most expensive in Europe. The rail companies now suck up £4bn in subsidies, significantly more than they did before privatisation. The only franchise not to require lavish subsidies is East Coast, which has been effectively renationalised since 2009. The railway track infrastructure itself had to be renationalised in 2002 after a series of fatal disasters. Meanwhile the train operating companies have netted huge rates of return of 121% while only reinvesting 10% of profits into improving services.

This doesn’t even mention the way that companies often cherry pick the most profitable parts of an industry, while leaving loss-making bits to the public sector. Or that they depend on a workforce that is kept healthy and educated by the public sector.

What’s more, railways are not the only example. A recent study said that a ‘conservative estimate’ of subsidies given to big business in the UK amounts to £85 billion a year. That’s more than 17 times what the UK spends on Jobseekers Allowance. It’s even more than what we spend on state pensions. And this figure doesn’t include the £850 billion spent on bailing out the ‘too big to fail’ banks. So surely it’s the multinational corporations who are the real ‘scroungers and spongers’.

This is also the case across many countries in the world. Thanks to international institutions like the International Monetary Fund and the World Bank, as well as pressure from countries like the UK, many developing countries have been encouraged to privatising their basic services and sell their assets to the highest bidder. This process is often called structural adjustment.

The results have been disastrous.

“Old industries are like dry crops and privatisation brings the rain”

Lyrics of a pop song funded by the World Bank to promote water privatisation in Tanzania

In Tanzania, where the World Bank even financed the production of a pop song promoting the virtues of privatisation, the bosses at the British company who had taken over the local water utility were actually expelled from the country. The company, City Water, had failed to invest in improving water access (just 100,000 of the 3.5 million people living in Dar es Salaam had running water) while hiking up prices to levels local people couldn’t afford.

Water privatisation was such a failure that there has been a new wave of ‘remunicipalisation’ (returning services to public control) across the world. Water services have now been taken back under government or non-profit control in Ghana, Mali, Dar es Salaam, Maputo, Paris, Naples and Berlin among others.

ALTERNATIVES TO PRIVATISATION

The other side of the coin to the failures of privatisation is how successful the alternatives have been. Of course state bureaucracies can be inefficient and corrupt – as can private corporations. But if well run, public control can do a much better job than private companies at running public services.
In the Cambodian capital Phnom Peng, the public water utility succeeded in increasing water access from 25 to 90% in the space of 12 years.24

In Scotland, the refusal of the devolved government to privatise Scottish Water has paid off. Now Scottish Water is the cheapest, and among the most efficient, water providers in the UK.25

In healthcare, the US spends almost double on health as a proportion of GDP than the UK,26 but the NHS achieves better life expectancy than the profit-oriented US health system.27

But big state solutions are not the only alternative to privatisation. In some places, it is local government, or even communities themselves, who are taking control over services back from corporations.

In the electricity sector, German cities have been taking control back off private companies through the process of remunicipalisation. Many of these examples occurred after a popular referendum. Local people are now involved in overseeing these resources, allowing fairer pricing of energy – so the poor pay less than the rich not vice versa – and ensuring they use a greater proportion of renewable fuels.

The growth of renewable energy in Germany has mostly happened through small-scale energy cooperatives and a strong municipal network under the Energiewende scheme.28 We’re also beginning to see similar, grass roots attempts at promoting local energy cooperatives here in the UK.29 Across the world, the food sovereignty movement is rejecting the corporate-run food system in favour of a more democratic alternative.

So-called ‘benefit scroungers’ are vilified in the media, but who really gets the most state support?

Privatisation removes democratic control from people to run their services in a fairer and more sustainable way.
Seven years after the biggest financial crash since 1929, banks and bankers are held in pretty low esteem. The financial crash is a story of markets becoming too powerful.

Markets grew up which were too complicated for virtually anyone to understand. The financial sector convinced politicians, especially in the UK and US, to deregulate, and then went on to trade complex financial instruments worth trillions of pounds with too little oversight and too few rules. When things went wrong, governments bailed out reckless banks. In some countries like Greece, Spain and Portugal, this pushed the state itself into bankruptcy and ordinary people have endured real suffering to ‘repay’ the debts of the financial sector.

You would expect that our governments would have learnt their lesson and begun to take control. At the very least, surely they wouldn’t hand over yet more of our resources to finance, in the mistaken impression that markets are the best way to distribute the world’s goods to people? You’d be wrong.

Far from reducing the scope of financial markets in society, efforts are underway to create new markets in areas of our lives, in particular in nature and the environment. This is usually justified as a way to solve serious problems. We are told that carbon markets will solve climate change. Global markets in food commodities will iron out any ‘inefficiencies’ or ‘distortions’ in the market and help end hunger.

There are currently efforts underway to put a price on the natural world too. The argument goes that if aspects of nature – forests, rivers, species – are assigned a price, we’ll be better able to protect them. If a developer wants to destroy an area of biodiversity, they would have to pay to ensure that such biodiversity was protected or recreated elsewhere and their destruction was ‘offset’.

Unfortunately, all of these financial schemes do very little to actually protect the environment, prevent climate change or solve any of the other major problems facing the world’s poor. They have, however, been very successful in making a select few financial speculators very rich indeed.

Take carbon markets. The Clean Development Mechanism was agreed at the Kyoto climate summit in 1997 and the European Emissions Trading Scheme (ETS) has been around since 2005. There have been no effects on emissions. Global emissions are now 50% above where they were in 1997. What little progress there has been in Europe has nothing to do with carbon markets. In fact, the price of carbon is so low on the market (around €6 at time of writing), that it’s actually given companies incentives to burn more of it.

While the world heats up, a few speculators and major companies have made a killing on betting on the price of carbon. Big industrial sector companies made billions of pounds in windfall profits out of the ETS. And while governments engaged in negotiations to limit climate change, the big UK banks carried on with business as usual and helped fossil fuel companies raise £170 billion from bonds and share issues between 2010-2012.

Carbon trading and offsetting is worse than useless. For instance, in carbon markets or deforestation offset markets, the idea is that a polluting company in a rich country pays for a project in a poor country that will either reduce emissions or prevent new emissions. But this might mean expelling poor people from their land so an ‘offset’ monoculture plantation can be established. For example, in Uganda, over 22,500 people were evicted from their land at gunpoint to allow the UK firm New Forests Company to plant trees in order to earn carbon credits.
Biodiversity offsetting is the new frontier for the bankers. Nature has been recast as ‘natural capital’ and ‘ecosystem services’. The idea is that, as with carbon markets, companies will be allowed to destroy one species or habitat if they compensate by creating new habitat elsewhere. So theoretically we could see the destruction of primary rainforest in Borneo justified by the planting of a few trees in Bolton. This is already happening across the UK in places like Tyneside and Coventry where ancient woodlands are being destroyed and ‘offset’.

The only way to really solve problems like climate change or deforestation is to use tried and tested methods. If we want to protect a forest, we ban or regulate mining and logging. If we want to reduce emissions, we reduce our use of fossil fuels.

We need to have faith in people and public control to solve the world’s problems, not pretend that finance will solve anything but narrow interests, when left to its own devices.
Economic growth measures the increase in goods and services produced in a country over time. It’s seen as a panacea for all social ills including, most importantly, poverty. As long as you stoke growth and produce more, everything will get better.

But let’s look at two examples which should force us to question this theory: Nigeria and Nepal. On paper, Nigeria is booming. Nigeria’s economy has increased by almost 12 times since 2001 and is now the biggest economy in Africa.36

Conversely, Nepal appears to be doing less well. Growth, while reasonable, is nowhere near Nigerian levels, averaging 3.9% a year since 2001.37 Nepal’s GDP, which measures the value of an economy, is just $1500 per capita, lagging far behind Nigeria’s figure of $2800.38

Despite all of this, Nepal has done much better than Nigeria at combating poverty. If we look at the (admittedly problematic) figure of people living on less than $1.25 a day, Nepal has halved poverty from 53% in 2003 to 24% in 2010.39 and inequality has fallen significantly over the same period.40 Primary school enrolment has risen from 69% to 98% since 1999.41

In Nigeria however, growth has barely made a dent in poverty levels. Between 2004 and 2010, the country’s GDP grew fourfold42 but it only reduced poverty by 1% from 63% to 62%.43

Similar comparisons can also be made between rich countries. Despite struggling with very low growth for twenty years, Japan continues to be a world leader in living standards, with the world’s highest life expectancy. Conversely, the USA, which has far outgrown Japan over the last twenty years, languishes far lower down the rankings in education, health and crime.

So if growth is not the be-all and end-all, why is the world so obsessed with it?

Firstly, growth can be very important, especially to impoverished countries. In general, GDP growth is a necessary, if not sufficient, factor in reducing severe poverty. No developing country has made a significant dent in poverty without at least some growth. China cut poverty from 84% in 1981 to just 6% today, and huge economic growth was a key element.44

But growth is certainly not sufficient, and unless a country is geared to sharing the benefits of growth fairly, it can actually make poverty worse. Today countries from Mozambique to Nigeria are witnessing growth plus rising poverty. The benefits of growth are being captured by a small global elite and the lives of those at the bottom of society are getting worse.

Privatisation schemes, for instance, or projects which benefit the wealthiest, like building luxury hotels or shopping centres, do succeed in boosting GDP, but they fail to improve the lives of the majority because profits are repatriated to foreign shores and the proceeds fall into the hands of small elites. So when governments are advised to open their markets to multinationals who give vague promises of ‘investment’ and ‘economic growth’, they need to exercise a good deal of caution.

We’ve seen how growth based on dependence on oil or mineral extraction also usually fails to benefit society at large, as the benefit usually goes to multinational extractive firms unless the government tightly regulates and taxes, or controls
production. For example, a Global Justice Now report into the Indonesian fossil fuel industry revealed that local people were gaining little from extractives while often losing their land and their livelihoods.45

In many countries, these growth-at-all-costs policies have often meant that most people see almost none of the proceeds of growth.

For example, between 1990 and 2001, for every $100 worth of growth in the global income per person, just $0.60 contributed to reducing poverty.46 More recently, in the first three years of economic recovery since the 2008 financial crash, 95% of the proceeds of growth in the USA went to the top 1%.47

A similar story can be told about increasing productivity levels (GDP produced by hour worked). Workers have become increasingly productive over the last century, but since the 1980s free market revolution, wages have remained stagnant.

Growth is seen as the cure for social ills, including poverty. But do the benefits from growth really benefit society at large?

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Take a look at this chart which shows productivity and median wages since 1945 in the USA. It shows that the proceeds of increased productivity (and by extension growth) have not been reflected in rising wages. No prizes for guessing where all of this extra wealth went (spoiler: the rich). Between 1978 and 2011, CEO pay rose 725% while workers’ pay rose just 5.7%.48

So while impoverished countries do need growth, it’s not enough on its own. Growth will only benefit the majority of people when it isn’t captured by uncontrolled corporations, but fairly shared throughout society. If we could share out the proceeds of growth in the decades following World War II, why not now?
If growth is seen as the panacea to social problems, trade is seen as the way to get growth. Countries are told by international institutions like the World Bank and International Monetary Fund, ‘open your markets, reduce your tariffs and quotas, and watch the money flow in’. They point to South Korea and Japan as examples of countries that emerged from poverty through such free trade policies.

But they’re wrong.

If anything, the evidence suggests the opposite. Some of the countries that most wholeheartedly imbibed the free trade doctrine pushed by the World Bank and IMF have done much worse than the countries that have dared to be different.

South Korea and Japan feature prominently among the ranks of the different. These countries did indeed open their markets and reduce tariffs, quotas and subsidies. But they only did so after a lengthy period of protecting their industries and agriculture from external competition. Until 1964, Japan effectively subsidised all of its export industries by totally exempting them from tax. It also imposed huge tariffs and quotas on imports. South Korea conducted a similar policy.

This policy took guts, even in the post-war era. When a US delegation approached the Japanese in 1955 to convince them to drop their tariffs on American cars because war-torn Japan would never be able to compete in such a high-tech industry, they were rebuffed. The Japanese negotiator curtly told the Americans that they wouldn’t be reduced to exporting tuna while the USA got to export high value goods like automobiles.49

Japan is one of the world’s biggest exporters of cars and high-tech goods.

The same could be said of the USA and Europe in the 18th and 19th centuries, when they imposed stringent tariffs on foreign goods. Even today, measures like the Common Agricultural Policy in the EU subsidise European and American goods in flagrant breach of free market dogma. The EU has even raised tariffs against India and Vietnam, ostensibly to help even poorer countries, although an independent study has shown that the main beneficiary was the USA.50

Contrast this with the experience of sub-Saharan Africa, Latin America and Asia. During the 1980s and 90s, many countries were persuaded to open their economies up as part of the now infamous structural adjustment programmes pursued by the World Bank and IMF. The result was a disaster.

Sub-Saharan Africa enjoyed healthy growth in the 1960s and to a lesser extent in the 1970s, but far less in the 1980s and 90s.51 World Bank ‘star pupil’ Ghana totally liberalised, following an ultra-free market policy and was rewarded by having a lower per capita GDP in 1994 than it did when the structural adjustment programme started in 1983.52 Where increased growth was achieved, this was often at the expense of severe cuts in basic services like health and education, and increased poverty.

Further east, the late 1990s Asian financial crisis caused turmoil across south-east Asia. One country recovered quicker than others though – Malaysia.53 Unlike its neighbours, Malaysia reacted to the crisis by introducing strict capital controls and protecting its currency.

In the former Soviet Union, ultra free market ‘shock therapy’ applied at the end of communism led to the region’s economy falling off a cliff. A few wealthy oligarchs successfully appropriated state property as it was sold off at fire-sale prices, to the detriment of everyone else. While Russia ‘recovered’ thanks to oil and gas revenues, albeit as the most unequal society in the industrialised world, other countries, such as Georgia, still have a lower GDP then they did in 1989.54
Refused free trade and pursued a protectionist trade policy in the 1950s. The Americans told Japan that it would never be able to compete against the American car industry. Today, Japan is an economic powerhouse and one of the world's biggest car manufacturers.

The free trade and investment deals that Argentina signed up to have allowed foreign corporations to stop it fighting poverty. Dozens of energy and water companies are suing Argentina for billions of pounds for freezing energy and water utility prices.

Veolia is currently taking Egypt to international arbitration because it dared to introduce a minimum wage. It can do this because Egypt is signed up to a bilateral investment treaty that gives foreign corporations the right to interfere in domestic policy in this way.

In Latin America, some countries are experimenting with an alternative trading system known as the Bolivarian Alliance for the Peoples of Our America (ALBA in Spanish). This trade system is based on the idea of raising, not lowering, standards like wages and environmental protection. And it tries to raise standards of living in poorer areas by encouraging trade and investment. Many countries in ALBA, such as Ecuador, have successfully reduced inequality while maintaining healthy growth.

During the 1999 Asian Financial Crisis, Malaysia resisted international pressure to maintain open markets, imposing capital controls and protecting its currency. These policies helped the country recover faster than its neighbours.

Lost $10 billion because of trade liberalisation between 1986–2001. That means free trade cost every Ghanaian $510 over this period, when the country’s GDP per capita was just $330. Employment in the country’s manufacturing sector fell from 78,700 in 1987 to 28,000 in 1993 as a result of free trade.

Georgia was the Soviet republic that most enthusiastically embraced free trade. It signed numerous free trade agreements and has very low tariffs. The result is that the country’s export economy has remained weak – scrap metal and re-exported cars are among the country’s biggest exports and the country’s industry remains destroyed. From being one of the richest republics in the Soviet Union, Georgia’s GDP is still lower than it was in 1989 and poverty rates are comparable with many countries in Africa.

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Trade agreements have also had a severe effect on the availability of medicines. Across the world, tight copyright laws, which form part of the international trade system known as intellectual property, have prevented ill people from being able to afford patented medicines.

None of this means that countries shouldn’t trade, or that protectionism is always the best policy. Indeed, when Brazil banned the import of computers in the 1980s, it is generally considered to have been a disaster, stopping local people gaining highly important skills.\(^5\) Trade can be beneficial. But countries shouldn’t be forced to trade by those, especially corporations, who seek to benefit.

What’s more, a certain model of neoliberal trade, which is dominated by very large global corporations, has allowed a small elite to capture more and more wealth. Far from being ‘free’ this form of trade is backed by a stringent system of international law which places corporate ‘rights’ to profit far ahead of human rights or environmental protection.

For instance, under many trade and investment agreements, foreign companies are given special legal access to arbitration panels known as Investor-State Dispute Settlement (ISDS). This allows corporations to challenge laws which damage their profits – even if these laws protect people and planet. They are held secretly, with no right of the state being sued to appeal. This is a direct threat to governments that want to act in the best interests of their people.

Yet there is no similar international legal recourse for a person whose rights have been violated by a corporation.

So what’s the answer? In Latin America, some countries are experimenting with an alternative trading system known as the Bolivarian Alliance for the Peoples of Our America - or ALBA in Spanish. This trade system is based on the idea of trading in a complementary, rather than competitive way. It believes in raising, not lowering, standards like wages and environmental protection. And it tries to raise standards of living in poorer areas by encouraging trade and investment.

The current global system of trade makes life harder for small businesses by forcing them into competition with giant corporations under rigged rules. We need to turn trade rules on their head and make sure that trade rules only ever improve, rather than decrease, the wellbeing of the majority of people and the environment.

Under a different system of rules, trade can help small farmers and small business – not giant corporations.
Since the big famines of the 1980s and 90s, we’ve been bombarded with graphic images of starvation. Since Live Aid, we’ve been told that there is not enough food in Africa and that the answer is charity. Just £3 a month can buy food, seeds, a water well, a blanket. We, it is inferred, are the answer to Africa’s problems. Our kindness and pity can help because Africa lacks the capacity to help itself.

But this is actually the opposite of the case. In fact, it’s Africa that helps us.

HUNGER IN A WORLD OF PLENTY

It is true that many people in Africa – and across the world - are hungry. The UN estimates that 805 million people worldwide do not have enough to eat. It’s also true that over two thirds of people in sub-Saharan Africa do not have access to electricity, and that almost 40% lack clean water. But this is not because there is not enough food, energy and water in the world. Enough food is produced in the world to feed 12 billion people, according to the UN World Food Programme.

Some of the countries with the lowest rates of access to energy are the ones most endowed with energy resources. More than half of the population of oil-rich Nigeria lacks basic access to electricity. As for water, there is no correlation between the parts of the world where there is water scarcity and the places where people do not have access to clean water. Water is physically scarce in the southern USA and the Middle East, but it’s in the water-rich areas of sub-Saharan Africa where there is the lowest level of access to clean water.

POVERTY: THE PRICE OF CORPORATE POWER

We have enough of everything to go round. Africa doesn’t need ‘our’ help and nor does any other continent. So the real reason why billions of people are hungry, thirsty and lack electricity stems from the way the global economy works.

Unfair distribution stems from an unfair allocation of power, with a small handful of global corporations having huge power over the food system. Just ten agribusiness companies control 75% of the seed industry, 55% of the fertiliser industry and 95% of the pesticide industry.

The result is huge power over what gets produced, by whom, how they get treated and how much they get paid for it. Just 4% of profit in the pineapple industry goes into wages for plantation workers, while 79% goes to the multinational traders and retailers.

And because feeding the poor is never as profitable as feeding the rich, these companies ensure that food is exported to more lucrative markets. Former UN food expert Olivier De Schutter was clear that such a globalised food industry means that the “luxury tastes of the richest parts of the world (are) allowed to compete against the satisfaction of the basic needs of the poor.”

What about population?

Some people blame the rise in global population from two billion in 1927 to over seven billion today for poverty. Advocates of aggressive population control tend not to worry about populations in Europe and North America. Conveniently, it’s always population growth in Asia and Africa that is depicted as the problem.

But it would take 13 Bangladeshis to use as many resources as just a single American. So the problem isn’t population, it’s the huge amount of resources that wealthy countries use.
Politicians love telling us a story of how benevolent, rich countries are helping ‘poor people in Africa’ with billions of pounds in aid. We’re led to believe our kindness and pity can help Africa because it lacks the capacity to help itself. But the amount of aid going to African countries is dwarfed by what’s taken out.

Africa receives $30bn in overseas aid every year

But every year loses...

- $26bn to debt repayments, often following irresponsible loans
- $35bn to tax evasion & tax havens
- $6bn to migration of skilled workers
- $46bn to multinational company profits
- $3bn to remittances
- $1.3bn to illegal fishing
- $37bn adapting to the effects of climate change
- $25bn to foreign currency reserves given as loans to other governments
- $17bn to illegal logging

$192 billion in total lost every year
Speculators make this situation worse by betting on the price of key food commodities such as maize, wheat and barley. This causes price spikes that mean more people are unable to afford imported food.

Given all of this, you’d think governments would seek to reduce the power of big agribusiness. But the UK government has put £600 million into supporting the New Alliance for Food Security and Nutrition, a scheme that supports big agribusiness corporations in African markets.

Around the world, it’s multinational corporations and their allies that are standing in the way of real progress. The way to ensure that everyone has enough food, water and energy is to change the way these resources are distributed. Control has to be taken away from the corporate monopolists and given to communities through alternative ideas such as food sovereignty – a framework that guarantees the right to food.

When people have more direct control of the world’s vital resources, we will find that there is enough food, water and energy for all of us.
In 2013, the UK gave £11.4bn in official development assistance, the formal term for international aid. The UK finally met the 40-year-old internationally agreed target of spending 0.7% of gross national income on aid. Politicians boast that the UK is now one of the most generous countries in the world. Amid all the self-congratulation, few people question whether this is generous in the first place. The language of charity and generosity conceals the fact that UK policy actively contributes to the poverty which aid is supposedly trying to solve.

Just look at trade talks, in which the UK is always a loud voice in favour of forcing poor countries to open their markets, leaving them at the mercy of (often British) multinationals. In climate talks, the UK points the finger of blame at emerging economies like China while failing to do enough to reduce emissions itself. Through state insurance (export finance) and its embassies, the UK promotes the interests of British arms companies over those of the people in other countries. UK tax havens like the British Virgin Islands help companies avoid tax they should be paying in Africa, Asia or Latin America. And the UK consistently votes against attempts to create human rights laws to hold corporations to account.

When you add them all together, the policies which Britain supports drain Africa of wealth. Through lost tax revenues, unfair trade rules, dodgy debt repayments, climate disasters caused by our carbon emissions, profits being taken back to banks in the City of London, Africa is actually aiding us.

The world extracts $192 billion from Africa every year through things like corporate profit, debt repayments and tax evasion - while giving only $30 billion in aid. Even if you add together other inflows of money into Africa, such as loans and private investment, the total flow of money from the world into Africa is still just $134 billion.

So, far from giving African countries a lot of aid, the world takes $58 billion more than it puts in.

**DODGY AID FOR CORPORATE GAIN**

But even this is too generous to the British government, because it assumes that all of the aid we give goes towards making poor countries better places to live for the poorest and most vulnerable.

This is not the case. More and more of the UK’s aid budget is going to help multinationals, not the poor. £100 million of UK aid is being used to encourage Nigeria to privatise its electricity sector. In Bangladesh, UK aid has paved the way for new ‘special economic zones’ where multinationals will get tax breaks and severe limits are placed on trade union membership. Drinks giants SAB Miller (which makes Peroni) and Diageo (Guinness) have pocketed $1.25 million from the UK-funded Africa Enterprise Challenge Fund.

This is part of a broader shift towards aid being channelled through profit-making private companies. There is a burgeoning ‘aid industry’ that exists purely to profit from money that is ostensibly supposed to help the poor. One company, Chemonics, received almost $833 million from the US government alone in just six months. The UK government even has a special Aid Funded Business Service that exists purely to help UK businesses get lucrative aid contracts.

More and more aid is channelled through financial intermediaries like big banks, insurance companies and opaque investment funds. For example, 88% of the portfolio of the CDC Group, which is a UK government-owned institution that delivers aid, is channelled through the financial sector.
Aid could make the world a fairer place, but it needs root and branch reform so that it stops being a tool of free market policy which simply supports big business. Currently, a large amount of aid is given to profiteering companies, some of which specialise in making money out of aid.

**Adam Smith International**

Adam Smith International (ASI) exists purely to make money out of the aid budget. ASI has been accused of doing more harm than good in poor countries by promoting privatisation and ideologically driven but ineffective free market policies. ASI even helped write a pro-privatisation pop song for the disastrous selling off of Tanzania’s water utility.

**SABMiller (Peroni)**

SABMiller is the company behind famous beer brands such as Peroni, Grolsch and Pilsner Urquell. It is also one of the world’s biggest bottlers of Coca Cola. An annual revenue of over $23bn didn’t stop it taking almost $1m (£650,000) in aid money to source local cassava for use in its brewing in Sudan.

**Diageo (Guinness)**

Diageo is the multinational drinks company behind famous brands like Guinness, Moët & Chandon and Johnny Walker. Diageo is a big company with revenue of over £15bn. It received $250,000 (around £160,000) in aid money to grow sorghum plants to make Guinness in Cameroon.

**Crown Agents**

Crown Agents sounds like something out of a James Bond film, but it is actually a consultancy firm that has successfully siphoned off millions of pounds of UK aid money. The company is a remnant of colonial times.

- **£66.3m**
- **£66.2m**
- **£160k**
- **£650k**
which then goes on to ‘invest’ in projects aimed at creating economic growth.\textsuperscript{69} That’s why British aid ends up in dubious (but profitable) projects such as luxury housing and shopping malls in Kenya.\textsuperscript{70} In 2006, the CDC even invested in Nigerian companies that were later proven to be used by corrupt politician James Ibori to launder stolen money.\textsuperscript{71}

These institutions also make heavy use of secretive tax havens, which ensures that much of their activity is shielded from public scrutiny. Of the 157 ‘aid’ investments made by the UK’s CDC Group in 2013, 118 were channelled through tax havens.\textsuperscript{72}

Large proportions of aid also go towards cleaning up the mess caused by previous UK government policy. We only need climate finance because the UK has emitted such a large amount of carbon dioxide. Much of the money that went to Afghanistan and Iraq is only necessary because of the UK’s military involvement in those countries.

\textbf{HOW CAN WE REDISTRIBUTE GLOBAL WEALTH?}

This doesn’t mean that rich countries should stop giving aid. Redistributing wealth from the richest to the poorest is a necessary element of creating a fairer world – as it is in creating a fairer society.

It would be a positive step for a UK aid programme to support Venezuela’s drive for food sovereignty or Cambodia’s public water system.

Unthinkable? It shouldn’t be.

More ambitiously, we should see aid more as a system of global taxation. Funds could be used, under democratic control, to help build up decent welfare states across Africa, sustainable public transport systems, environmentally friendly energy access for all. They could be used to support small farmers producing healthy food primarily for themselves and local communities, and to help cooperatives and small business to produce for local and regional markets.

The funds would have to be much bigger than they currently are to create such a change, and the mentality would have to change completely. Creating a better world is not generous, especially if you have created the unfairness in the first place.

\textbf{Aid or reparations?}

Some developing country governments are becoming more cynical about aid. In 2012, India’s finance minister called the UK’s aid to India ‘a peanut’.\textsuperscript{73} Some social movements, as well as member states of the Caribbean Community,\textsuperscript{74} are calling for aid to be recast as reparations for colonialism and slavery. For them, aid can feel more like a paternalistic remnant of colonialism than anything that will help win a more just world. The argument goes, cleaning up the mess you left when you broke into someone’s house and stole their belongings wouldn’t be generous, just a minimum responsibility.

What’s more aid can never be seen in isolation. Fairer trade, cancelling unjust debt, stopping climate change, tackling tax havens and securing democratic freedoms are all more important in achieving global justice.

\textit{Aid could} make the world a fairer place, but it needs root and branch reform so that it stops being a tool of free market policy which simply supports Western business.
References

1. Peter Mandelson was a senior minister under the Blair and Brown Labour governments in the UK.


7. Ibid.


9. For more information about the scheme see: http://energytransition.de/


23. See http://www.remunipalisation.org/


28. For more information about the scheme see: http://energytransition.de/


30. Now about 36bn tonnes from about 24bn in 1997 according to the World Bank


Global Justice Now campaigns for a world where resources are controlled by the many, not the few. We work in solidarity with social movements to fight injustice and inequality.

We used to be the World Development Movement.

Global Justice Now, 66 Offley Road, London SW9 0LS

t: 020 7820 4900  e: offleyroad@globaljustice.org.uk  w: www.globaljustice.org.uk