

Public Good or Private Wealth

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The deep and growing chasm between the rich and the poor is not an accident. This gulf is the result of political decisions. Many rich countries have lowered or abolished property taxes. Governments reduce spending on education and health care or shift these services to private profit-oriented suppliers. Misguided policy led us into this crisis and true policy can lead us out.

PUBLIC GOOD OR PRIVATE WEALTH

Social Justice is the Goal

By Willy Sabautzki

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On the eve of the World Economic Forum in Davos, Oxfam published its report "Public Good or Private Wealth." The theme of this year's report is the enormous wealth surge of a few super-rich and corporations and the under-financing of education, health, and social security worldwide. Oxfam's calculations carried out annually for 5 years on global wealth inequality are based on data of the big Swiss bank Credit Suisse on the wealth of the world population and on estimates of Forbes Magazine on the affluence of the super-rich. According to the latest statistics, 49 persons possess as much as the poorer half of the world population. For 2017, they were only 44 super-rich. The trend of an increasing concentration of wealth has intensified. In 2018, 26 persons had as much wealth as the poorer half of the world population - 3.8 billion people. In the ten years since the financial crisis, the number of billionaires worldwide has nearly doubled. Their wealth grew around \$900 billion in 2018.

The Oxfam study refers to the achievements in reducing poverty as a result of state programs and measures in Africa and Asia. The speed at which extreme poverty decreases has been cut in half since 2013. Fewer and fewer people can free themselves from extreme poverty. In parts of Africa, extreme poverty is even increasing. The wealth of the poorer half of the world population fell around 11% or \$500 billion. Many international studies are cited to explain the worldwide situation of poverty where women and young girls suffer on account of their social position in society and the crass discrimination of women and children. The wealth of billionaires rose 12% last year. In the same time period, the wealth of the poorer half of the world population fell 11%. Governments worldwide have delighted corporations and wealthy individuals with whopping tax gifts. In rich countries, for example, the top tax rate on incomes fell from an average of 62% to 38% between 1970 and 2013. In some countries like Great Britain and Brazil, the poorest 10% of the population pays a higher share of their income from taxes than the richest 10%.

The Situation in Germany

Supplementing the statements on the worldwide development between poor and rich, Oxfam gives corresponding numbers for Germany as follows. German billionaires increased their wealth by around 20% in 2018. The richest 1% of Germans have as much wealth as 87% of the poorer German population. In a European and international comparison, Germany is the industrial nation with the greatest wealth inequality. In 2017, 15.8% of the population was afflicted by income poverty - a negative record - and every fifth child was regarded as poor.

Tax Justice Stops with the Rich and Corporations

In a multitude of states, rich interest-groups and mammoth corporations have successfully lowered their tax contributions. In industrial countries, the top tax rates were massively reduced for income-, corporate- and inheritance taxes. The tax rates that are actually paid are clearly lower for all who shifted their wealth to tax havens. An estimated \$7.6 trillion of private wealth is hidden there. \$200 billion in tax revenues are withheld from states and their citizens worldwide every year. The top tax rates for the wealthiest persons and corporations are at their lowest level in decades. The super-rich and corporations continue to dodge their social contributions through tax avoidance to an unparalleled extent. Political pecking orders bend the rules for just taxation for a comparatively small number of rich and corporations and multiply their wealth through tax legislation. In this connection, Oxfam refers to the "sleek state" that urges reduced spending for social services. The

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degenerate social infrastructure and the shortage in skilled personnel in health and education are great burdens for future generations like state debts.

The poor social infrastructure already has fatal consequences today in the truest sense of the world. More persons die of preventable sicknesses because health services are increasingly only covered by the private wealth of individuals.

Investments in Free Education- and Health Care

To reduce inequality, governments must ensure fair taxation, invest in public social services and end the discrimination of women, according to the Oxfam study. As the IMF (International Monetary Fund) confirms, damages to the total economy are not inevitable despite the higher income of the rich and corporations. Investments in free education- and health care could be a vital means for removing social inequality. The life-saving role of public health care is proven. It provides 90% of obstetrics that saves the lives of mothers in developing countries.

The heart of a just society is the possibility for every child of learning and making the best of his or her talents. Free educational institutions furnished by the state benefit the general public. They promote the poorer sectors whose income simply does not allow education. Free education could improve the income situation of poorer families. Contrary to polemical critics of the study that advances in fighting poverty are ignored, the study includes an encouraging presentation of the public education development in 78 states. The poorer classes are improved through education. Nevertheless, income or wealth is still the prerequisite for access to education in many countries. The German educational system makes it hard for children from low-income families to reach the same educational level as children from more affluent households.

Inequality impairs economic development on a global scale. Plundering natural resources in developing countries prevents the chances of their population for becoming free of the dilemma of dependency and poverty. Participation in economic growth and just living conditions is reserved for the wealthy sectors. Poverty and social fears are not due to personal weaknesses or personal incapacity.

Greater justice in the distribution of income, wealth, land ownership, water and access to intact nature is necessary to give all girls and boys, all women and men, the same chances for a good life, the authors of the study conclude. Just chances, just procedures and just distribution build on each other and influence each other. These chances exist when the poor and marginalized participate in the processes that decide over the distribution of resources.

Winnie Byanyima, executive director of Oxfam International, summarizes the interests of Oxfam International in a few sentences:

The deep and growing chasm between the rich and the poor is not an accident. This gulf is the result of political decisions. [...] Many rich countries have lowered or abolished property taxes; they hardly exist in poor countries. [...] At the same time, governments reduce spending on education and health care or shift these indispensable services to private profit-oriented suppliers that the poorest cannot afford. [...] Misguided policy led us into this crisis and true policy can lead us out. We can overcome inequality when governments properly tax the wealthy and corporations and invest these revenues in health care and education.

FOR THE MANY, NOT THE FEW: NOTES ON THE FUTURE OF GLOBALIZATION

By Werner Raza

[This essay published on September 9, 2018, is translated from the German on the Internet, <https://awblog.at>. Werner Raza is the director of the Austrian Research Foundation for International Development.]

The legitimate criticism of neoliberal globalization is increasingly marginalized by Trumpian protectionism. But no unconditional confession to free trade helps against populist protectionism. Social inequality as a result of globalization leads to alarming political follow-up costs. Regaining political possibilities of acting and strengthening democratic participation is necessary, a globalization agenda for the many on the basis of a good life for everyone.

Neoliberal Globalization Redux: Same Same but Different

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With the global 2007/08 financial- and economic crisis, the defenders of economic globalization have been on the defensive. The advantages of free trade and financial streams were extolled incessantly in the 1990s and early 2000s. "Globalizers" from the OECD, the EU Commission or the World Bank must admit that open markets produce losers and not only winners - on the backdrop of the political successes of 'populist' forces today. The former is strongly represented among low-skilled employees.

The responsibility for this is ascribed to technological change. This is hardly convincing as recent research shows. Financialization and outsourcing are basically responsible for the strong distribution effects of globalization. If culpability for the negative distribution effects is shifted to the supposedly neutral factor "technical progress," it can be argued more easily that globalization brought more growth and prosperity.

Broken Promises of Globalization: Growth

The risk of balance of payments- and indebtedness crises increases. The latter leads to a drastic breakdown of growth and employment as the long lists of these crises since the early 1980s confirms.

... and Better Living Conditions for Everyone

The increasing networking of the world economy produces winners and losers. This is well-known in academic discussions. But no lessons were drawn from this for the political-economic praxis of the last decades. The widespread assumption is that the losers will ultimately share in new job chances. This way of thinking tolerated drastically higher inequality as a consequence of globalization and was blind to the strong rise of social polarization both in employment and income.

In the last decades, there was practically no job growth in medium-level jobs. Rather, jobs for office workers or skilled workers grew scarcer. Jobs in the high-trained segment increased and also in the low-skilled area, mostly in the form of precarious employment with miserable working conditions and low pay... All this reflects outsourcing or offshoring - business strategies of international corporations. The socio-economic erosion of the working middle class had to have political effects in the long run...

Populism and Nationalism as Follow-Up Political Costs of Neoliberal Globalization

A study of the renowned MIT-researcher-authors Dorn and Hansen concludes 2.4 million manufacturing jobs were lost in the US between 1999 and 2011 through the greater trade with China alone. If unemployment is regionally concentrated and persistent for lack of other job possibilities as in the traditional US industrial areas, this can lead to serious social problems and sooner or later to political protests. Voter protest was disproportional in regions marked by economic crises. This is corroborated in recent research for the US and Great Britain. There are also clear signs that authoritarian attitudes increase in regions affected by trade. In his latest book, Harvard sociologist Robert Putnam analyzed the socio-structural changes of the last decades co-induced by globalization processes. The American dream of social advancement has become an illusion for the young generation of Americans, he concluded.

Like the rise of right-wing nationalist forces in Europe, the arrival of Donald Trump in the White House was not an accident but a manifestation of far-reaching socio-structural changes in western societies. The unreasonable demands of neoliberal globalization have a greater share in this political backlash. Moderate prices and a wide selection of products as typical advantages of globalization cannot be trivialized where wide parts of the population suffer under stagnating incomes and poor job prospects are on the horizon for one's children and grandchildren. The so-called losers of globalization turn away from established political forces and support alternative political possibilities, even if these are problematic. This is true for the US and Europe where the traditional parties of the political center (Christian Democrats, Social Democrats and Liberals) are stricken by an advancing erosion of their credibility. Since 2000, social democratic parties have had to accept up to 50% fewer voters, mainly to the benefit of right-wing nationalist parties.

Globalization for the Many Needs Good Life for Everyone

Capitalist development is a constant process of creative destruction, Joseph Schumpeter stressed. The indwelling dynamic of the system promises enormous material prosperity but demands great sacrifice again and again from the broad mass of the population (wage earners, farmers, small businessmen etc).

This permanent structured change was fueled by four decades of trade-, capital- and financial market liberalization. Falling

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economic globalization profits face rising social costs unlike the "embedded liberalism" of the postwar decades in the global North with its mixture of gradual liberalization and developed social states...

The paradox of neoliberal globalization is that the win-win constellation was largely undermined by economic liberalization with simultaneous social security in the politics of the last decades. The political consequences of this system breach - high voter abstinence, erosion of the traditional political middle, rise of right-wing nationalist parties, undermining of liberal democratic systems and renaissance of authoritarian political forms - now appear more openly.

The competitive tension between political equality as a basic pillar of democratic rule and economic inequality as a condition of capitalist economics was falling out of balance and had to be rebalanced to prevent our drifting into anti-liberal intolerant or open authoritarian forms of government.

Concretely and immediately, this means economic inequality must be reduced and democratic participation regained. This project cannot hope for the insight of the wealthy but must be fought for politically. For that, an alliance of traditional actors from civil society, unions, and churches with representatives of the precariat is necessary.

The common perspective of a "good life for all" must be redefined. From my view, this consists of three strategic corner pillars. Firstly, the struggle against economic, social and political inequality in the sense of Nancy Fraser's concept of acknowledged representation and redistribution; secondly, the rejection of neoliberal globalization and the redefinition of the priorities of international cooperation in the form of a solidarity globalization agenda are crucial. The priorities must lie in resisting tax avoidance, financial market regulation, climate policy and global combating of poverty - instead of further trade globalization, deregulation and privatization. Last but not least, a "Green New Deal" is needed for the urgently necessary transformation of our environmentally harmful "imperial lifestyle." This cannot happen without the protagonist role of a strong public sector as a promoter of research and innovation (Mazzucato's Entrepreneurial State) and alternative forms of cooperation between the private sector, civil society, and the state. The old idea of promoting the third sector of solidarity economy on the local and regional planes is relevant here. Social state insurance and an employer-of-last-resort should be made available from the public sector. Higher wealth taxes, ecological taxes, and European Central Bank financed investment funds could finance this program...

The perspective of globalization for the many avoids a narrowing to the liberal discussion about free trade versus protectionism. Regaining political possibilities and strengthening democratic participation are central given the high social, ecological and political costs of neoliberal globalization, not a black-white oversimplification - here good free trade and there bad protectionism. The three corner posts fighting inequality, a solidarity globalized agenda and a Green New Deal could form the core of this project.

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