
A Spiral of Global Inequality

By: Arnaldo Musa / Special for CubaSi
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“How can a poor man endure such harsh times and live,” says the chorus and title of the old American song from the Great Depression (1929) that was resurrected and updated by Bruce Springsteen, which speaks of economic disasters and deceitful management of powerful men.

Tennessee Ernie Ford took this to its most heartfelt expression with his hyper-magnificent 16 Tons, with millions of copies sold, and in which, between snaps of his fingers, he finally calls on Saint Peter to close his Gate, because his entire soul is The Patron took it.

Sometimes, many times, when we write about inequality we think of the United States, most notably, but this is a global problem that affects everyone.

We should not expect the rich people of this world gather in Davos to work out behavioral patterns in order to continue getting richer.

Very current figures confirm that the richest 1% accumulate almost twice as much wealth as the rest of the world's population in the last two years.

Over the last decade, the super-rich have taken over the 50% of the new wealth generated, a figure they have just surpassed.

The fortune of billionaires is growing at a rate of 2.7 billion dollars a day, at the same time that at least 1.7 billion workers live in countries where inflation is growing faster than wages.

Applying a wealth tax of up to 5% on billionaires could raise \$1.7 trillion annually, allowing 2 billion people to escape poverty. But it's not done. The richest 1% have taken over almost two-thirds of the new wealth generated since 2020 globally (valued at \$42 trillion), almost twice of the remaining 99% of humanity.

THE LAW OF THE RICHEST

"The Law of the Richest" is an Oxfam report published on the day the most recent meetings of the World Economic Forum began in Davos. The elites gathered at the Swiss ski resort in a context in which extreme wealth and poverty in the world have increased simultaneously for the first time in 25 years.

"While ordinary people make daily sacrifices on essentials like food, the super-rich have surpassed even their wildest dreams. After just two years, the current decade is already aiming to become the best yet for billionaires: a golden decade of economic prosperity for the world's richest," says Gabriela Bucher, CEO for Oxfam International.

"Applying higher taxes to the super-rich and large companies is a way out of the multiple crises we currently face. It's time to tear down the myth that tax cuts for the richest will somehow end up benefiting everyone else." Forty years of tax cuts for the super-rich have shown that waves of privilege only end up benefiting them," she said.

The wealth of billionaires has increased at a disconcerting rate. Since 2020, with the pandemic and the cost of living crisis, the richest 1% have accumulated 26 trillion dollars (63% of the new wealth generated), while only 16 trillion dollars (37%) has reached the rest of the world's population.

For every dollar of new global wealth that a person belonging to the poorest 90% of humanity receives, a billionaire pockets \$1.7 million.

The extraordinary growth in sectors like energy and food has once again boosted the assets of the richest. The report reveals that 95 more large energy and food companies doubled their profits in 2022. They generated \$306 billion, and allocated \$257,000 (84%) to remunerate their wealthy shareholders.

The Walton family dynasty, owner of 50% of the multinational Walmart, received \$8.5 billion in dividends over the past year. In 2022 alone, the wealth of Indian billionaire Gautam Adani, owner of large energy companies, has increased by \$42 billion (46%). In Australia, the United States and the United Kingdom, these huge corporate profits have contributed to at least 50% of inflation growth.

HUNGER

Meanwhile, we emphasize, at least 1.7 billion workers live in countries where inflation growth is above wage growth, and more than 820 million people worldwide (approximately one out of ten) are hungry.

Women and girls often eat last and in smallest quantities in households, and they represent almost 60% of the world's hungry population. We could be facing the largest increase in inequality between countries and poverty since the Second World War.

Entire countries are on the verge of bankruptcy. The poorest allocate four times more resources to debt service (in the hands of rich creditors) than to public health services. Three out of four world governments plan to cut public spending by a total of \$7.8 trillion through austerity measures over the next five years, extending to the health and education sectors.

Decades of tax cuts and privileges for large fortunes and large companies have been complicit in the increase in inequality, its so that, in practice, in many countries, people with lower incomes end up paying effective tax rates higher than those billionaires pay.

The famous Elon Musk, one of the richest men in the world, paid a "real tax rate" of around 3% between 2014 and 2018. However, Aber Christine, a Ugandan flour seller, pays 40% in taxes of what he manages to bill, earning barely 80 dollars a month.

For every dollar collected in tax revenue worldwide, only four cents come from taxing wealthy people. Half of billionaires live in countries that do not apply any type of inheritance tax on the wealth they transfer to their direct descendants. Therefore, five trillion dollars will go, tax-free, to their corresponding heirs; an amount that exceeds Africa's GDP and will perpetuate a new generation of aristocratic elites.

INCOME, NOT WORK

Most of the wealthiest people's income is not derived from their work, but is essentially capital income on their assets. However, taxation on capital income is around 18% on average, approximately half of the marginal rates on labor income.

In fact, applicable taxes on the richest have historically become much higher. Over the past 40 years, governments in Africa, Asia, Europe, and the Americas have been reducing tax rates on the highest incomes, while raising consumption taxes on goods and services, that is, taxes that fall disproportionately on those who have less and that widens gender gaps.

In the years after World War II, the marginal federal income tax rate in the United States was above 90%, and at 81% on average between 1944-1981. Other rich countries also applied similar tax rates during years of great economic development, which greatly contributed to expanding access to public services such as health and education.

But this has already been forgotten, and thus it's unlikely that the goal of ending extreme poverty by 2030 will not be achieved, while global inequality soars up.

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