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FOR RICHER... OR POORER?

THE CAPTURE OF GROWTH AND POLITICS IN EMERGING ECONOMIES

SRI Social Resources Institute 社会资源研究所 · caid MEX Coalición de Acción Internacional para el Desarrollo México · WADA NA TODO · rebrip Rede Brasileira pela Integração dos Povos · Коалиция против бедности · People's Budget Initiative · infid International NGO Forum on Indonesian Development · SANI South African Network on Inequality · Economic Justice Network (EJN) of FOCCISA

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As a coalition of civil society networks from Brazil, China, India, Indonesia, Mexico, Russia and South Africa, our aim is to ensure the voices of poor and marginalized people in our countries are taken into account in global policy-making processes. We encourage others – leaders and governments from our nations, businesses, academics and fellow citizens – to join us in taking a stand on the issue of inequality and the negative impact it has on society.

Cover photo:
India, Mumbai, Maharashtra. A modern office building being constructed behind an old crumbling residential area (2011).
Fredrik Naumann/ Panos Pictures

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CONTENTS

Children play around a waste water canal, Masephomolele township, Cape Town. (2014)

Zed Nelson/ Oxfam

EXECUTIVE SUMMARY

The emerging economies Brazil, Russia, India, China, South Africa, Mexico, Indonesia and Turkey – henceforth the BRICSAMIT – have come to be considered the economic powerhouses of recent decades, fostering a narrative of the growth of the South. Not only have these countries managed to reduce extreme poverty; most have embarked on a steep economic growth path and play an increasingly influential role on the global scene. But an emphasis on growth masks another, worrying trend. Today, all eight BRICSAMIT countries occupy the top ranks as some of the most unequal countries in the world. The price these countries – and millions of their citizens – pay for this is high. Excessive inequality hampers development prospects: negatively impacting growth potential, threatening poverty reduction, leading to mass migration flows and 'brain drain', and reducing opportunities for young people.

Inequality affects all aspects of a person's life and life chances, from health and education to living environment and prospects for old age. Extreme inequality perpetuates high levels of violence and crime, fuels mistrust and undermines social cohesion. It is now clear that the gains of economic growth in the BRICSAMIT have been captured by the very richest. Fortunes have been made by large corporations engaged primarily in the extractives, agribusiness, infrastructure, media and telecommunications sectors. The capture of power by economic elites, including companies, drives inequality by ensuring the rules remain rigged in favour of the rich, who grow increasingly influential.

This concentration of wealth and power in the hands of the few is clearly at the expense of the many. It reinforces existing social structures, perpetuating inequality and excluding millions of people from an equitable share in prosperity. Despite the growth in these next-generation economic miracles, more than 2.3 billion people in the BRICSAMIT are still living on less than U$5 a day. Civil society organizations have long understood that inequality is a barrier to development. This is at last becoming more widely recognized, as the long-held theory of the 'trickle down' of wealth as countries grow richer fails to become a reality. Yet measures to tackle extreme inequality are not high on the political agenda in most emerging economies; or are effectively blocked by an alliance of the economic and political elites who have little interest in changing the status quo.

This research paper – which was commissioned by civil society networks across the BRICSAMIT countries – aims to increase the urgency to tackle the structural causes of inequality by shedding light on the nature and scope of the issue in these countries, and the economic, political and social consequences they are now facing as a result. It looks at the conditions that enabled the rise of the super-rich and how political and media capture by this elite is undermining democracy and thwarting most attempts to reduce inequality. The paper concludes with recommendations of ways in which growth and development could be used to make our societies more equal.

Whilst we welcome the sustainable development goal related to reducing inequality, we urge governments and leaders to recognize that reducing inequality is a deeply political undertaking by which the vested interests of the existing elites will need to be challenged. If developmental goals – such as equal rights for all and an end to poverty and gender discrimination – are to be achieved, the debate must shift away from growth at all costs to focus on achieving greater equality.

A regular day at a primary health centre in Patna district, Bihar, India (2015)

Srikanth Kolari/ Oxfam India

1. THE NEED TO TACKLE INEQUALITY IN THE BRICSAMIT COUNTRIES

The BRICSAMIT countries have come to be considered the economic powerhouses of the past decades, fostering a narrative of the forthcoming rise of the South. Not only have they managed to reduce poverty; most have embarked on a steep economic growth path. Their sheer physical and population size, share in world GDP, growing political influence, economic weight, desire to expand activity on the world markets, etc. have made the BRICSAMIT countries grow increasingly influential – and increasingly unequal.

However, inequality has largely been neglected in the developmental discourse of the emerging economies, because it has generally not been perceived as an impediment to development. As such, the mainstream economic theory of the past decades predicted that once a course of economic growth was set upon, countries would automatically grow their way out of poverty. The more productive parts of society were to receive higher incomes first, so that the process of economic catching-up with developed countries[i] would come at an initially increasing level of inequality.

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i The term 'developed countries' is used throughout the report to describe wealthy industrialized nations which rank high on the HDI index. Usage of this term is to facilitate comparison with other groups of countries, such as the BRICSAMIT countries, and should not be understood as a statement on the desirability of specific countries' developmental model.

However – so the theory goes – this wealth accumulated in the high end of the income distribution would later trickle down through the social strata to the remainder of the population. Eventually, then, this would raise living standards for all, at which point inequality would start falling again. All in all, therefore, growth would be progressive over time, and temporarily high inequality seemed like a fair price to pay for future prosperity.[1]

Rising GDP and per capita incomes in the exemplary BRICSAMIT countries were thus expected to lead them to leave behind characteristically high disparities, thanks to this trickle-down effect. The countries certainly did well on the growth account (although recent years have seen growth slowing down, particularly in Mexico and Brazil, and now also in China). However, they lagged behind in terms of tackling inequality: when the now-developed countries had income levels comparable to current emerging economies' levels, they were less unequal.[2] Today, the BRICSAMIT countries have long surpassed the income thresholds where inequality started decreasing in developed countries, yet they are still waiting for such a turn in their own trends. Even trends in poverty reduction are less clear for some of them; for instance, according to the most recent figures, poverty levels have been increasing again in Mexico. In fact, today all of the BRICSAMIT countries are among the most unequal in the world by at least one or more indicators:

- South Africa is the country with the highest income-inequality levels by virtually all indicators.[3]
- India has the largest absolute number of poor people – notwithstanding its wealthy elite, which includes 22 members among the world's 500 richest individuals.[4]
- China and Indonesia display some of the fastest-growing gaps between their richest and poorest income earners.
- In Brazil, the richest 5% of the population secure over 30% of total income, while the poorest 10% only gain just above 1%.
- Turkey occupies one of the lowest ranks in the Global Gender Gap Report 2013.[5]
- In Mexico, indigenous peoples are almost four times as likely to live in extreme poverty as non-indigenous,[6] while the average income of rich individuals amounts to 27 times that of the poor.
- Russia is the country with the highest absolute wealth inequality in the world.

On top of these dimensions, spatial inequality is vast within all of the BRICSAMIT countries, with developmental differences between richer (urban) and poorer (rural) regions similar to those between Norway and Iraq.

The price the countries have to pay for these trends is devastating: excessive inequality severely hampers their development prospects. It not only negatively impacts their growth potential but also threatens poverty reduction, leading to mass migration flows and 'brain drain', limiting opportunities for youth and perpetuating high levels of violence. Economic, social and political inequalities come to affect all aspects of life, from health and education to legal protection, investment choices and social cohesion. Under such circumstances, inequality in its multiple dimensions becomes self-perpetuating and leads to a downward spiral of negative consequences from a human development perspective.

Considering that these countries continue to be highly unequal despite their vast growth and some important successes in extreme poverty reduction, calls into question the discourse of inclusive growth and trickle-down of wealth promoted by many economists. In fact, new data available today, which covers longer time spans for most of the countries in the world, has challenged the general assumption of a self-correcting distribution as countries grow richer.[7] Growth in the BRICSAMIT countries does *not* resemble a rising tide that lifts all boats. Yet despite this, the pursuit of economic growth at all costs appears to continue unabated. Besides a lack of interest on the part of a closely-intertwined economic and political elite who stand to continue to gain from the status quo, this failure to act more decisively on inequality might also be based on the underestimation of both the actual levels of inequality, and its consequences.

INEQUALITY IS A DECISIVE FACTOR IN DEVELOPMENT

This report therefore aims to shed some light on the actual scope of inequality in the countries under consideration, as well as on the economic, social and political consequences they are facing as a result. To this end, it examines the approach to economic growth over recent decades, as well as the inequality dynamics characterizing the BRICSAMIT countries. The report considers how these dynamics are perpetuated by two mutually constituting forces: on the one hand, the policies applied by governments, which in themselves may be more or less progressive in intention and outcome; and on the other, the particular institutional frameworks within which these policies are embedded – the set of rules and regulations shaped by a complex web of interests within a country. One of the common features across these systems is the rule-makers' dependence on funds, at both the personal and institutional level, to achieve objectives such as re-election and economic growth. This grants some elite groups a privileged position to influence both the set-up of the institutional framework and the specific policies enacted. The resulting inequality of power excludes millions of people from an equitable share in prosperity, threatening the countries' development prospects.

As the political power of economic elites grows, the average citizen's power to actively shape significant policies decreases. The more visible causes and consequences of the resulting inequalities manifest themselves in differentiated living standards for citizens according to income, including in the realms of health, education and life chances. They create two tiers of development in all aspects of life, where the wealthy enjoy increasing levels of affluence that do not fall short of any high-income group in the developed countries, while the lower income groups remain in conditions of deprivation. All of this affects social cohesion and societal stability. A mutually reinforcing circle of inequality is created where economic concentration leads to political power, often reinforcing existing social structures, which increases concentration of wealth – and hence perpetuates inequality.

While economists have started to consider the question of how much (economic) inequality a market can bear by exploring the links between inequality and growth, the question of how much a *society* can bear has been somewhat neglected. Scrutinizing the current income and wealth polarization shows that this is far from a trivial side-clause. Indeed, developmental goals – such as equal rights for all, the fight against poverty and gender discrimination, empowerment of disenfranchised groups and individuals, and the right to a life free from violence – are central to the debate on inclusive growth and development.

COMMON FEATURES ACROSS A DIVERSE SET OF COUNTRIES

The BRICSAMIT comprise a diverse set of countries, and each of them merits a study in its own right. Nonetheless, taken as a group, several common themes emerge in terms of the impacts of their distributive policies on citizens' well-being. One of the central questions this report aims to address, against concerns about the quality of life of the many in a high growth/high inequalities context, is thus: *does this growth imply (equal) increases in well-being for all citizens*? Analyses of the developmental status of the BRICSAMIT countries would be incomplete without looking at the distribution of their gains, considering that, together, these eight countries host almost half of the total world population (over 3.54 billion) and generate a quarter of its GDP (US$18.8 trillion in 2013).

TABLE 1: **BASIC COUNTRY INDICATORS 2014**

Country	Population 2013 (millions)	GDP, US$ (billion)	GDP/cap 2014 (US$)	Government expenditure on education (% of GDP)	Public health expenditure (% of government expenditure 2013)
Russia	143.5	2,057.30	14,316.64	4.10	8.42
Brazil	200.4	2,244.13	11,067.48	6.35	6.93
Mexico	122.3	1,295.86	10,836.69	5.15	15.38
Turkey	74.9	813.32	10,518.29	2.86	10.74
China	1,357.4	10,355.35	7,572.36	1.91	12.63
South Africa	53.2	341.22	6,354.28	6.00	14.02
Indonesia	249.9	856.07	3,403.97	3.57	6.63
India	1,252.1	2,047.81	1,625.64	3.87	4.55

Source: Data from the World Bank (2015)[8]

The BRICSAMIT countries share an additional number of important features that warrant a joint analysis. They all play an increasingly important role on the global scene in an attempt to provide a counterweight to the developed countries' dominant power position. The fact that much of their growth in recent decades has been appropriated by a narrow elite stems largely from the adoption of an inherently unequalizing economic model. This includes the reliance on mega-infrastructure projects, such as the Belo Monte and other large dam projects in Brazil, high-speed railways in India and Mexico, or even the FIFA World Cups in Brazil (2014), South Africa (2010) and Russia (2018), which drive country growth while generating benefits mainly for a small number of individuals and corporations, often with serious negative consequences for the environment and poor people. Alongside this is extractive industry growth such as the extensive mining operations in South Africa and Indonesia; and agribusiness attached to huge landowners, for example the eucalyptus, sugarcane and soy mass monocultures in Brazil, popularly known as 'green deserts'. Finally, it relies on the large-scale privatization of both natural resource companies and services such as telecommunications, initiated during the economic and/or political transitions of the 1980s and 1990s.

The hope that came with the idea of 'transition' from any one political-economic system to another, which all of the countries experienced then, has now given way to popular disillusion in many cases. Instead of a supposedly benevolent elite that would share gains voluntarily, a majority of citizens in emerging countries believe that their economic system unduly favours the wealthy, who, rather than looking out for the greater good, are mainly concerned with their personal privileges.[9]

High-inequality countries more generally share a number of characteristics, including direct links between income divergence and high levels of violence, mass migrations, public health hazards, and discrimination based on gender and ethnicity – i.e. other kinds of inequality can grow alongside any one income distribution. Understanding the way these determinants relate to the political-economy and governance systems across the countries in question might increase the urgency to tackle the inequality problem, and hence form the basis for adequate recommendations to enable relevant stakeholders to build a more equal society. Instead of assuming a fixed developmental path automatically leading emerging countries towards developed countries' success, using their peer countries as a reference might be more suitable – both to assess where they are now and to consider where they might want to get to in the future.

The remainder of the report will be structured as follows: Section 2 briefly explores the complex relationship between growth and inequality in the BRICSAMIT countries and its impact on their state of development, before mapping the inequalities in income and wealth in each country. Section 3 links the findings to mechanisms of elite capture and identifies some key institutions that perpetuate elite privilege. Section 4 outlines the impact of social inequalities e.g. in health and education, and how they decrease opportunities on the personal or group level, based on the coexistence and mutual dependency of the multiple inequalities observed. The report concludes by sketching out a way forward in the countries considered, in Section 5.

Next Page: Leonard Kufeketa, 39, in Parkhurst, an expensive suburb of Johannesburg. "Things are changing in South Africa for the worst. The public schools are no good. Those in the government, they are very rich, the rest of us are poor." (2014)

Zed Nelson/ Oxfam


DOCUMENTS
MAPS

2. MAPPING ECONOMIC INEQUALITY IN THE BRICSAMIT COUNTRIES

Joko Widodo, newly elected president of Indonesia, recently proclaimed that a 'dangerous' level of inequality was threatening his country: 'Economic growth is very important for my administration, for my people, but it's more important to narrow the gap', he said on 2 February 2015.[10] India's Narendra Modi, on the other hand, proclaimed in July 2014 that, 'Economic policy has often to strike a delicate balance between the two goals of economic growth and human welfare which need not necessarily be contradictory.'[11] Thus, although inequality has at least started to enter the political narrative of leaders in their policy design and implementation processes, addressing inequality still does not constitute the central focus of economic policies in all of these countries.

Globally, there is increasing acknowledgement of the negative impact of inequality on growth.[12] Various factors may forge such a link: for instance, as the distance between the rich and poor grows, the lack of trust in institutions (such as the banking system, rule of law, or property rights enforcement) may lead to higher non-institutional savings and thus lower investment rates. Suboptimal investments, including in human capital by individuals who are unable to pay for expensive education and training, would lower potential output. Decreasing shares of total income going to low wage earners might increase industrial action such as strikes, again lowering economic output. Perceived high levels of violence and crime may deter companies from investing in productive capacity and enhance speculation. The social and economic instability that comes with stark disparities can increase the frequency and depth of crises – leading to erratic growth and losses, and increasing the possibility of political instability, which in turn further feeds social distrust.

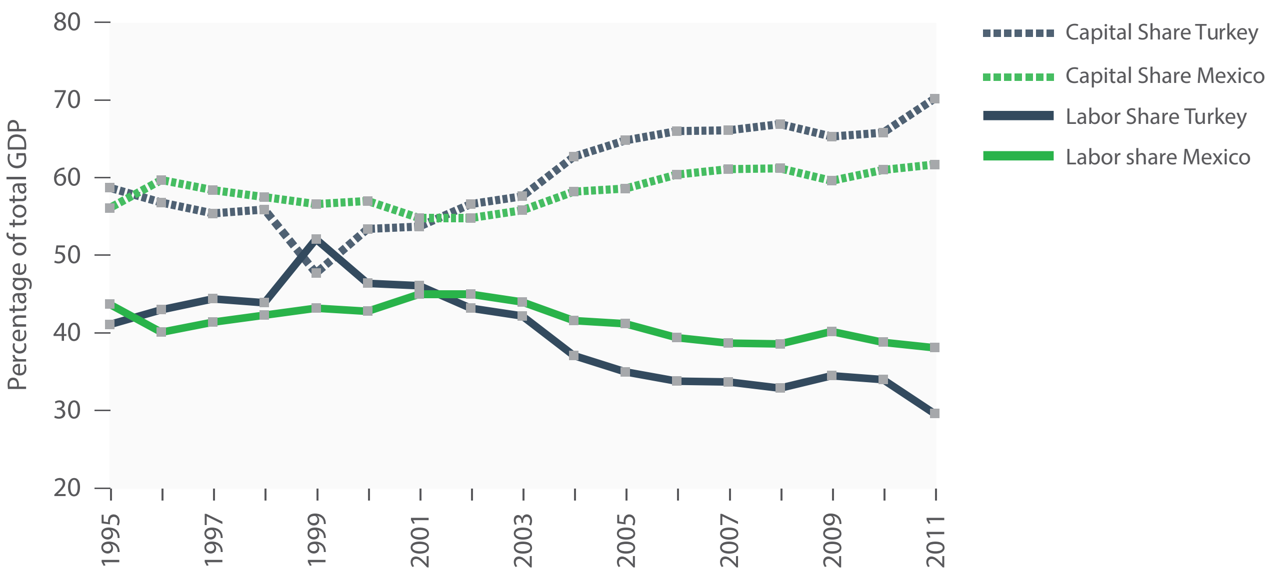
GROWTH FOR WHOM?

It is important to distinguish between means and ends in the evaluation of economic development. *Growth* has no inherent benefit if it fails to achieve increased well-being for the majority of a country's citizens. *Inequality*, on the other hand, has an intrinsic negative value: it is exclusionary, preventing some groups of society from realizing their full potential and rights in social, political and economic life. An inequality debate solely focused around the objective of achieving growth will limit understanding of the negative consequences that large disparities have on all aspects of society. The BRICSAMIT countries have experienced prolonged periods of economic growth combined with rising inequality during recent decades. Hence, increasing inequality does not necessarily preclude growth rates at times exceeding double-digit levels in China and India, and reaching around 9% in 2010 and 2011 in Turkey.[13]

The mere existence of growth gives no indication of who benefits from it. Instead of an overall process of developmental improvements, two-speed progress can be observed within the BRICSAMIT countries, where large parts of the population are consistently losing out under the current economic and political set-up.

Several developments testify to this process of two-speed development and the widening of inequality. Firstly, over the last decade, the share of total incomes derived from *capital* has been on a steady rise in many of the countries, while the share of total incomes from *labour* fell below its levels two decades ago, as shown in Figure 1 for Turkey and Mexico; similar trends are documented for China and India.[14]

FIGURE 1: **FACTORAL INEQUALITY INCREASES IN THE BRICSAMIT COUNTRIES DUE TO SHRINKING LABOUR AND GROWING CAPITAL SHARES, 1990-2011**



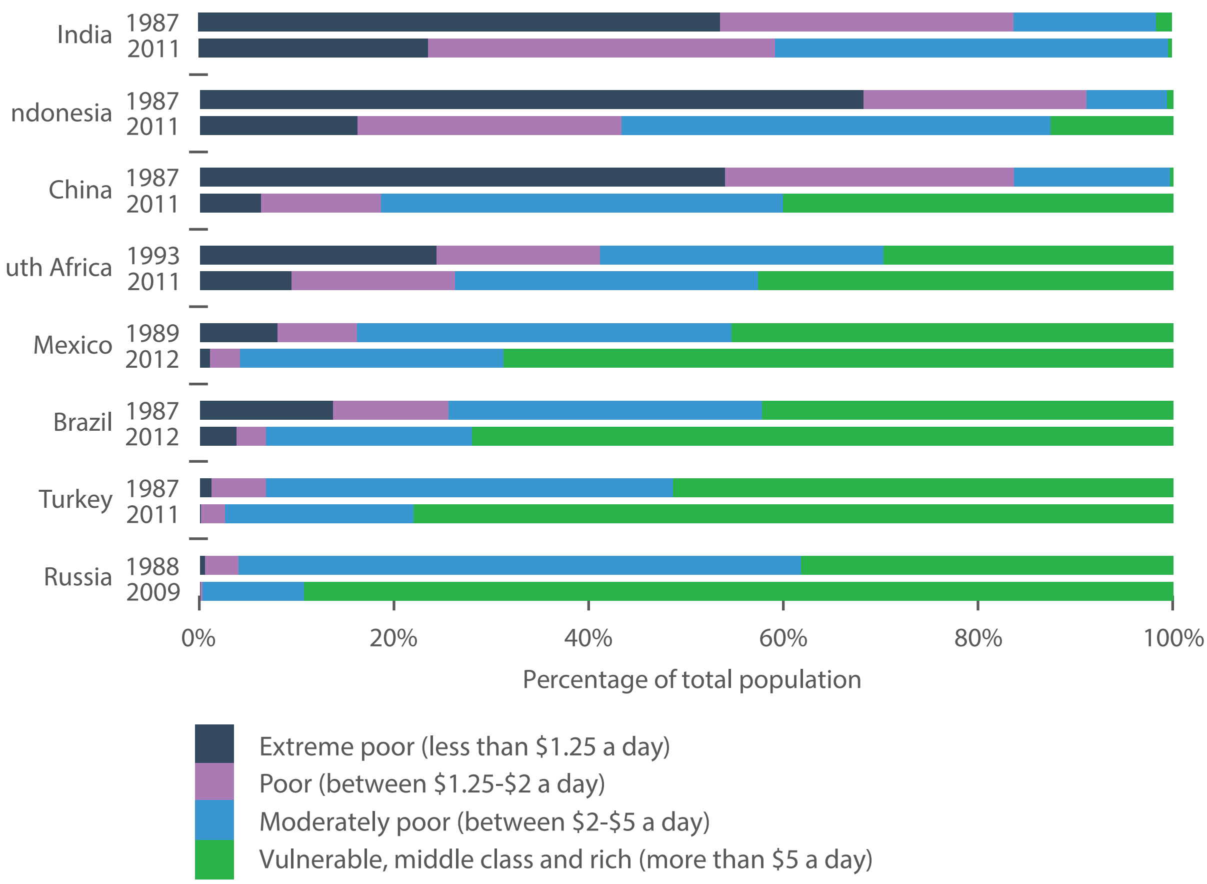
Source: Data from ILOSTAT (2015)[15]

This puts the BRICSAMIT countries into a difficult position: instead of functioning as an engine for fair and equitable increase in well-being among the masses, their macroeconomic progress increasingly benefits primarily those who receive capital gains as opposed to income from labour. Except for a small elite, most people – including even relatively high-income groups – earn by far the largest part of their income from labour.[16] This makes the distribution of capital incomes by definition more unequal: in a context of economic growth it means that only a very few individuals (i.e. those receiving their incomes from capital) have appropriated ever-larger parts of total income, an unequalizing process that has accelerated over recent years.

POVERTY PERSISTS

Secondly, the persistence of poverty indicates the exclusion of an important part of the population from the benefits of growth. There has been undeniable progress in poverty reduction at the lowest income levels in most of the countries. As Figure 2 shows, while two decades ago all of the countries had about 50% or more of the population living on less than $5 a day at purchasing power parity, today this is the case 'only' in half of these countries: India, Indonesia, China and South Africa. However, vulnerability remains ubiquitous. In Mexico, 79.5% of the population live either in poverty or vulnerability.[17] World Bank data[18] shows that in 2015 in India and China alone, almost one billion people still live on less than US$2 a day. What is more, the number of poor people living on less than US$5 a day, while falling proportionally, has actually been on a significant rise in absolute terms in India and Indonesia, where virtually the entire population – except for a tiny economic elite – survive on incomes below this threshold. Altogether more than 2.3 billion people (or over 65% of their combined populations) live on less than US$5 a day in the BRICSAMIT countries, and close to 1.2 billion people in India alone.[19]

FIGURE 2: **WHO WERE THE BOTTOM 40% TWENTY YEARS AGO? WHO ARE THEY NOW?**



Source: Data from the World Bank (2015)[20]

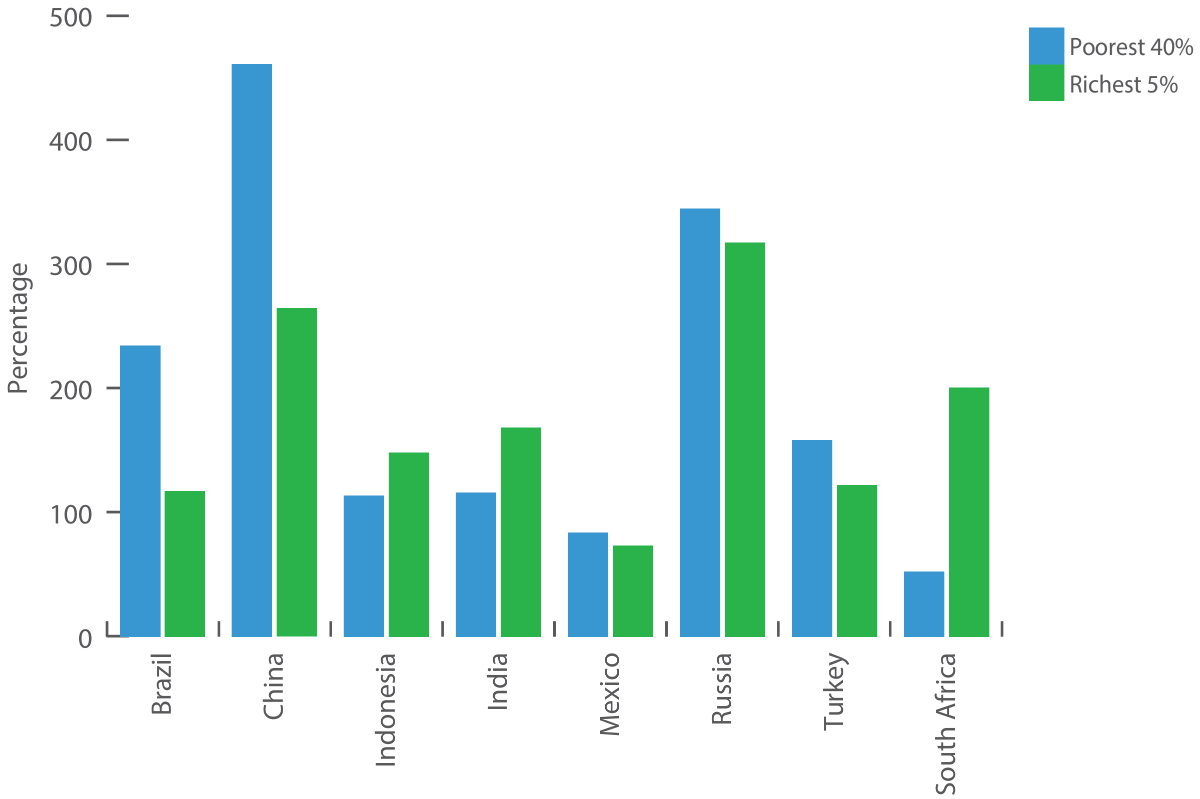
Finally, the decoupling of *average* per capita incomes from what most people *actually* earn in BRICSAMIT countries starkly illustrates who has been benefiting from growth. For example, although the average per capita income in Mexico is US$3,164, half of the population earn less than US$2,030.[21] Thus, commonly quoted per capita income figures overestimate the resources available to most people. This difference is even more pronounced when considering wealth: for instance, in Indonesia, half of the population own less than US$1,800 in assets, even though Credite Suisse estimates its average wealth at a level of US$9,742.[22] In South Africa, even fewer people reach the average wealth level of US$22,073, with half of the population's actual wealth lying below US$4,007. In fact, in South Africa and Indonesia, the median incomes lie below the minimum wage level, which in turn represents only 60% and 65% of average wages, respectively.[23]

THE GROWING INCOME GAP

In those cases where the income gap was wide to begin with, the absolute gap between people's incomes continues to increase even when the incomes of the poorest grow faster than those of the rich. Figure 3 shows that in Brazil, for instance, growth for the poorest 40% was more than double that of the richest 5% between 2002 and 2011. Nevertheless, the absolute difference between the average incomes of the poorest and richest more than doubled, from BRL28,070 (US$8,000)[24] in 2002 to BRL59,937 (US$17,200) in 2011. In China, where the poorest managed to multiply their incomes by more than five during the same period, the gap between their incomes and those of the richest 5% more than tripled, from CNY11,772 (US$1,840) to CNY40,354 (US$6,306). At current growth rates for the poor and rich, it would still take more than 35 years for the gap to *start closing* in China, and in Brazil it would not start shrinking until the year 2080.

In Indonesia, India and South Africa, the gap even increased in relative terms. Data from Milanovic shows that in the latter, for instance, despite growth both at the bottom and at the top, the poor saw their share diminish by around 3% while the top 5% increased theirs by almost 7% between 2002 and 2011. If unaltered, in 20 years such dynamics would leave the poorest 40% with a mere 2.2% share of total income, while that of the richest 5% would have increased to 55.8%.

FIGURE 3: **INCOME GROWTH AT THE BOTTOM AND TOP OF THE DISTRIBUTION, 2002-2011**



Source: Data from Milanovic (2014)[25] and (2015)[26]

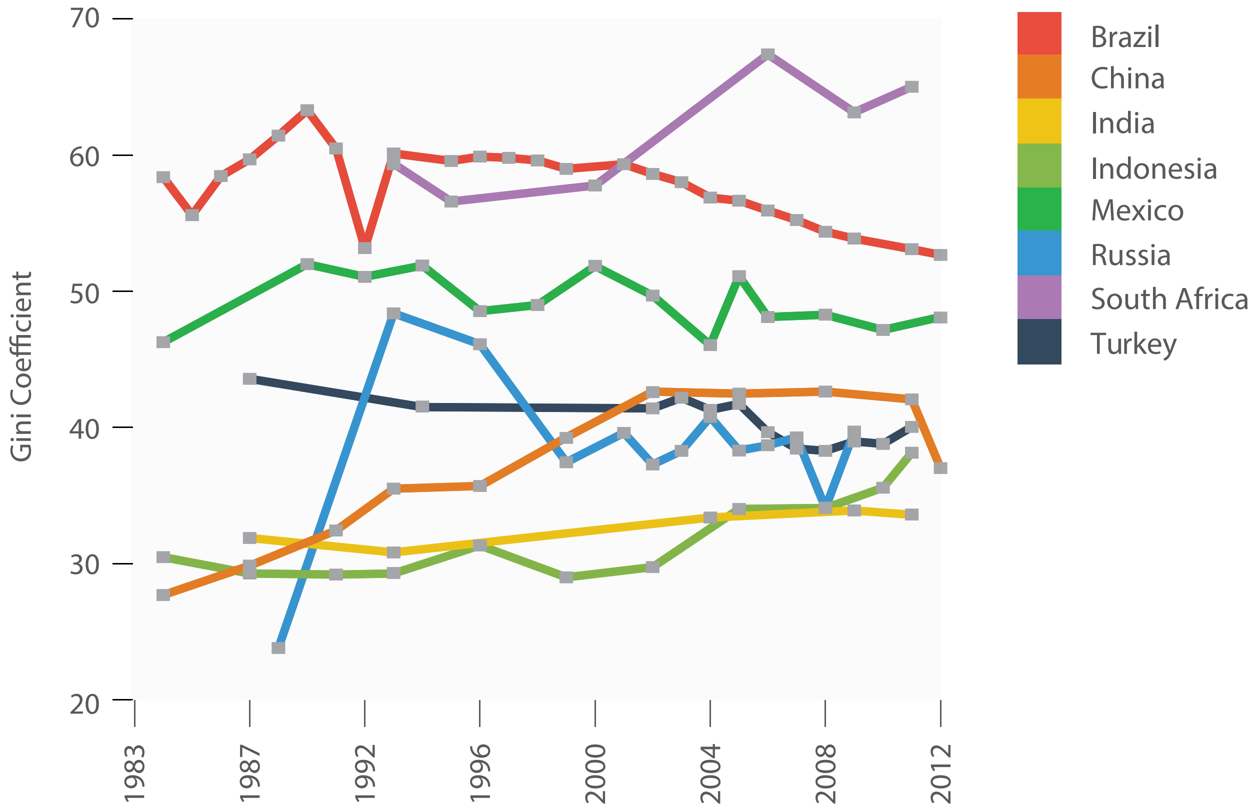
Given this polarization and the trend of leaving entire population groups behind on the road to prosperity, the tendency to treat inequality simply as a factor that might slow down or harm the country's growth prospects seriously downplays its negative impacts. The degree of *equality* in the distribution of developmental gains has to become the central objective for policy making if the well-being of citizens is a concern.

Despite progress made on extreme poverty reduction, most of the world's poor today live in the BRICSAMIT countries. This contrasts sharply with the fact that these are by no means poor countries. They not only host a growing number of the world's richest individuals as listed by Forbes (22 of the Top 100 in July 2015),[27] but they are also endowed with exceptional natural resources – particularly energy resources such as oil and gas – large domestic markets and thriving international trade, making them occupy the top ranks in the list of the world's richest countries in terms of GDP. This could in principle ensure considerable well-being for their entire populations. Instead, encountering poverty amidst great wealth is becoming the norm in these countries.

ECONOMIC INEQUALITY TRENDS IN THE BRICSAMIT

Figure 4 compares the countries' Gini coefficients (currently one of the most frequently used measures of inequality, despite its limitations)[28] over the last three decades. Although individual country trends differ notably, inequality on average rose across the BRICSAMIT countries. With the exception of Turkey and Brazil, all of the countries end up with comparatively higher Gini levels today than 30 years ago.

FIGURE 4: **INEQUALITY IN THE BRICSAMIT COUNTRIES ACCORDING TO THE GINI COEFFICIENT, 1984-2012**



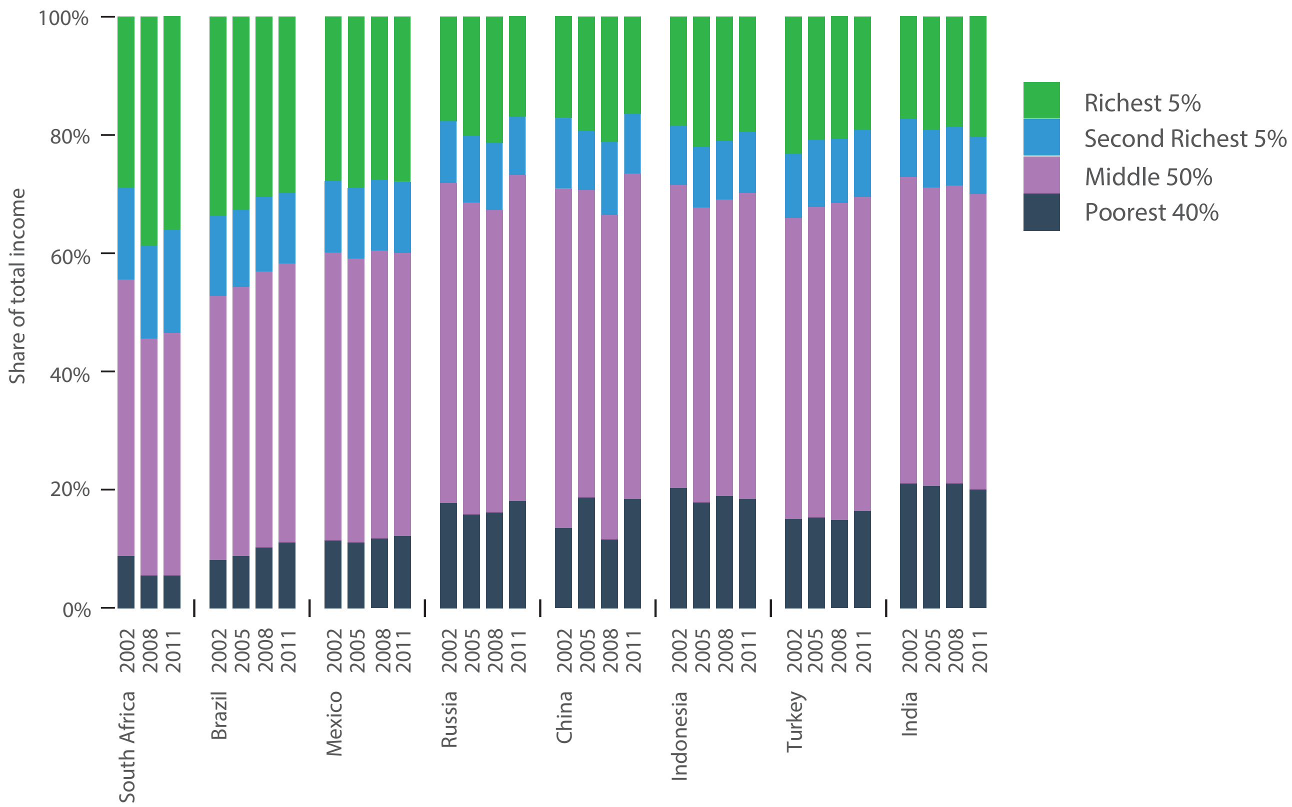
Source: Data from the World Bank (2015)[29]

As a result of this general tendency, the spectrum of Gini coefficients, which in the late 1980s ranged from 23.8 to 61.4, shrank to a space of 34 (India) to 65 (South Africa) by the mid-2010s. This shows a convergence of inequality on a high level, meaning that the countries are on average getting more unequal and more 'similar' in their inequality levels, including those countries which historically were less unequal. The Palma ratio[30] corroborates this observation. With an increase at the top that outpaced the increase at the bottom, the formerly less unequal countries are more unequal now, while the formerly more unequal ones became even more unequal over the time considered.

In view of the still pervasive levels of poverty in the countries, how were the additional resources from decades of fast GDP growth allocated across society – particularly, how did the most vulnerable parts of society fare?

While the 50% of the population which lies between the richest 10% and the poorest 40% holds on average about 50% of total income,[31] the share of the richest 5% of the population corresponds to more than double that of the poorest 40% in some of the countries. On average, the shares these groups hold remained fairly constant throughout the last decade, except for the slightly increasing share of the richest 5% (Figure 5).

FIGURE 5: **INCOME SHARES BY POPULATION GROUP, 2002-2011**

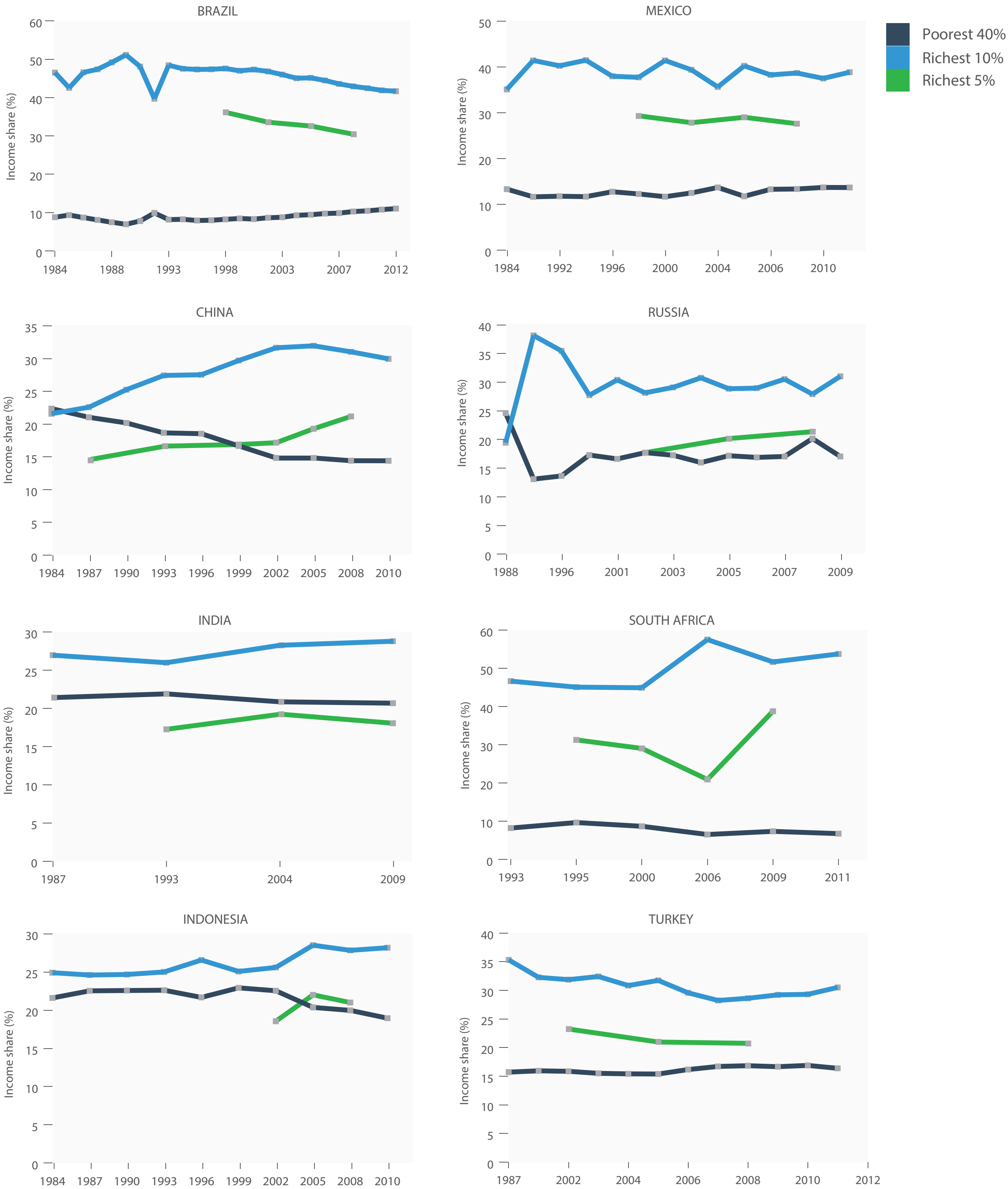


Source: Data from Milanovic (2014)[32] and (2015)[33]

However, important distributional differences mark the individual countries. The only countries with unambiguously equalizing shares throughout the period considered, i.e. those where the poorest's share is growing consistently while the richest 5%'s share is decreasing, are Brazil (albeit from a very low position) and, to a lesser degree, Turkey.

In all of the countries except India, the richest 5% alone earn a larger share than the poorest 40% of the population. Yet even given this overall trend there are clear differences between countries in terms of just *how much* of the share of income is taken by the top: while the richest 10% account for about a third of total income in Russia, China, Indonesia, Turkey and India, in South Africa they earn more than half, followed closely by Brazil and Mexico.[34]

FIGURE 6: **INCOME SHARES OF THE RICHEST AND POOREST, 1984-2011**



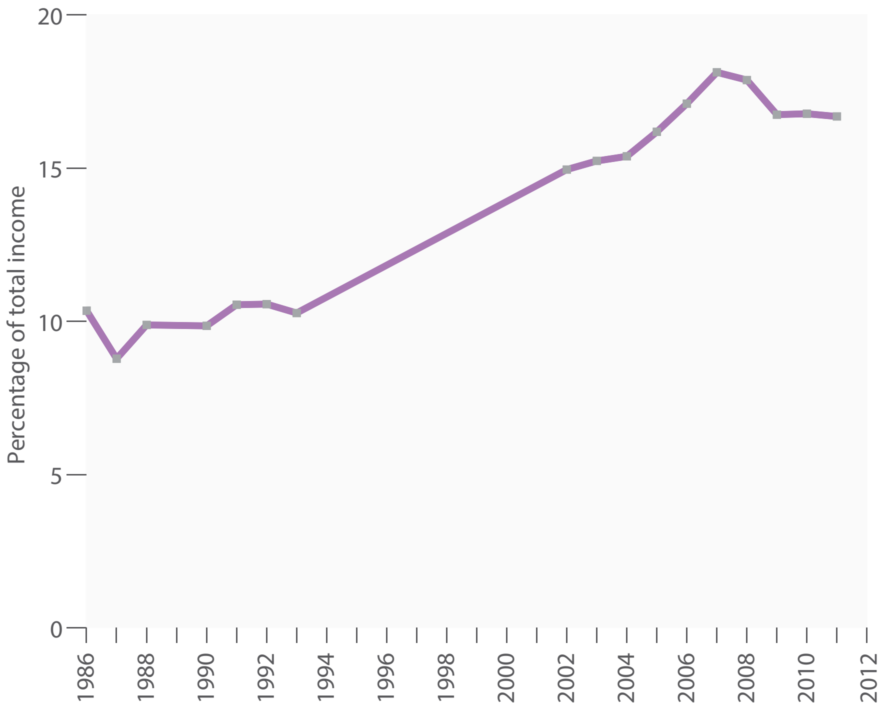
Source: Data from Milanovic (2014)[35] and (2015)[36]

An increasing share of the top is almost always accompanied and matched by a loss in share for the most vulnerable part of the population, i.e. the trajectories of the rich and poor groups in Figure 6 mirror each other (especially those starting from more equal distributions). Given the context of economic growth in the countries, this indicates that rich groups have been able to take advantage of growth benefits at the cost of the poorer groups. Scrutinizing the share of the top income earners can shed some light on the dynamics behind this pattern.

A CLOSER LOOK AT THE TOP ONE PERCENT

The top is in fact the most unequal income group of the entire distribution. It is also the most difficult to get accurate data on. Somewhat reliable estimates as to the share of total income that goes to the richest 1% of income earners only exist for India and Indonesia up to 1999 and 2004, respectively, and for South Africa until 2011.[37] Figures for South Africa show that the share of those at the very top has been increasing significantly, granting the richest 1% almost 17% of total income, up from around 8% in the early 1980s (although levels have not reached their peak of close to 24% in 1946). Similar trends hold in India and Indonesia.[38] Recent numbers for Mexico suggest that it is currently one of the most unequal countries according to this measure, allotting 21% of total income to just the richest 1%.[39]

FIGURE 7: **INCOME SHARE OF THE RICHEST 1% IN SOUTH AFRICA, 1986-2010**



Source: Data from World Top Incomes Database (2015)[40]

If the top is dissected into ever-smaller fractions, and each of these fractions is divided into an upper and a lower half, the 'poorer' half of the respective groups always has a significantly smaller share compared to the richer one. This is concerning, as it means that a focus on the richest 10% or even 5% as the top share falls short of capturing the truly extraordinary differences hidden in the highest end, and further scrutiny as to what is happening at the peak of the distribution will be necessary. This phenomenon of fractal division means that, for instance, the South African top 0.1% – just over 50,000 people – held 4.8% of total income in 2010; the richer 25,000 of this small group, however, appropriated close to 70% of this amount.

Where the increase of the top share is so large, proportionally other income groups lose out. As Figure 5 has shown that the middle income group's share remains fairly stable at around 50%, the loss must therefore occur at the bottom of the distribution. This group's voice tends to be represented less in policy circles, due to several factors. For instance, its lack of economic power means it has little exposure to networks and connections that are close to and have influence on decision makers. These groups also lack the resources to invest in professional lobbyists who could advocate their interests. At the same time, the very diverse interests of the low income groups further complicate advocacy dedicated to their concerns.

THE FAILURE OF TAX SYSTEMS TO REDRESS THE BALANCE

Government policies should and could increase the income share of the poor; one of the most effective ways of doing so could be through reducing the income of the top earners via progressive taxation. However, this is not currently an issue very high up the public policy agenda in the BRICSAMIT countries. For one, the total amount of tax collected is comparatively small: even the relatively high amount of 27.5% of GDP that South Africa collects falls far short of the OECD average of 34%.[41] All BRICSAMIT top income-tax rates remain below the OECD average of 41.58%, with Russian top levels of 13% at the low end.[42]

More generally, the BRICSAMIT countries rely on regressive indirect taxation over potentially progressive direct taxes: in 2009, Brazil collected 12.9% of GDP through expenditure tax, such as VAT, but only 8.2% in direct taxes.[43] The structure of direct taxation is not very progressive either; for instance, Indonesia's relatively flat income-tax system only has four thresholds, the lower threshold being zero (i.e. there is no tax-exempt amount for the poor), while the highest rate of 30% applies to annual incomes starting from just US$37,000.[44] In 2012, the OECD countries managed to decrease their inequality levels through their fiscal systems by 25% on average,[45] whereas data for Brazil (2009) suggests that the combined effect of direct transfers, indirect subsidies, and direct and indirect taxes amounted to a reduction in inequality of just 4.2%.[46] Moreover, the overwhelmingly regressive item of tax expenditure, i.e. the foregone government revenue due to tax reductions, exemptions or credits claimed by specific groups, is estimated at 5% of GDP for Turkey in 2003, and may be well above 10% of GDP in China in 2002.[47] Brazil has achieved a decrease in income inequality, as shown in Figure 5, albeit not significantly below its 1990 level (see Box 1).

Irrespective of their degree of progressivity, the low transfer levels of such programmes do not allow recipients to save much of their incomes for moments of unforeseen hardship, such as illness. In South Africa, over 86% of adults took out a loan in 2013/14, making it the world's number one country for people needing loans.[50] Recipients do not seem to have enough money to meet even the most basic needs: 36% of loan-takers borrowed to pay for education and/or healthcare. Only when individuals are endowed with savings or wealth of their own, may government transfers lose importance, because (temporarily) insufficient income can be compensated using personal means. So to assess people's actual opportunities to enjoy equal living standards, particularly in the context of a limited welfare state, it is important not only to look at current incomes, but also at the distribution of wealth.

BOX 1: BRAZIL'S EFFORTS TO COMBAT INEQUALITY

Three sets of policies seem to have aided Brazil's efforts at bottom-up equalizing, i.e. increasing the incomes of the most vulnerable groups: there has been an outspoken political focus on inequality reduction; substantial increases in minimum salaries; and a set of inclusive social transfer programmes and universal pension schemes. These include its flagship conditional cash transfer programme (Bolsa Família), the non-contributory pension programme for the elderly poor (Benecício de Prestação Continuada), and a milk transfer programme. This strategy of equalization from below is promising, since it is a path of least resistance and thus politically easy to embark on. However, the equalizing potential of these policies could be multiplied if they were combined with others, particularly progressive tax policies. Additionally, Brazil has not been able to achieve more redistribution through direct transfers because its highly progressive programmes are small: combined, the above three programmes make up less than 1% of GDP.[48] The majority of Brazil's larger transfer programmes are, on the other hand, regressive in absolute terms.[49]

THE FAST-RISING WEALTH GAP

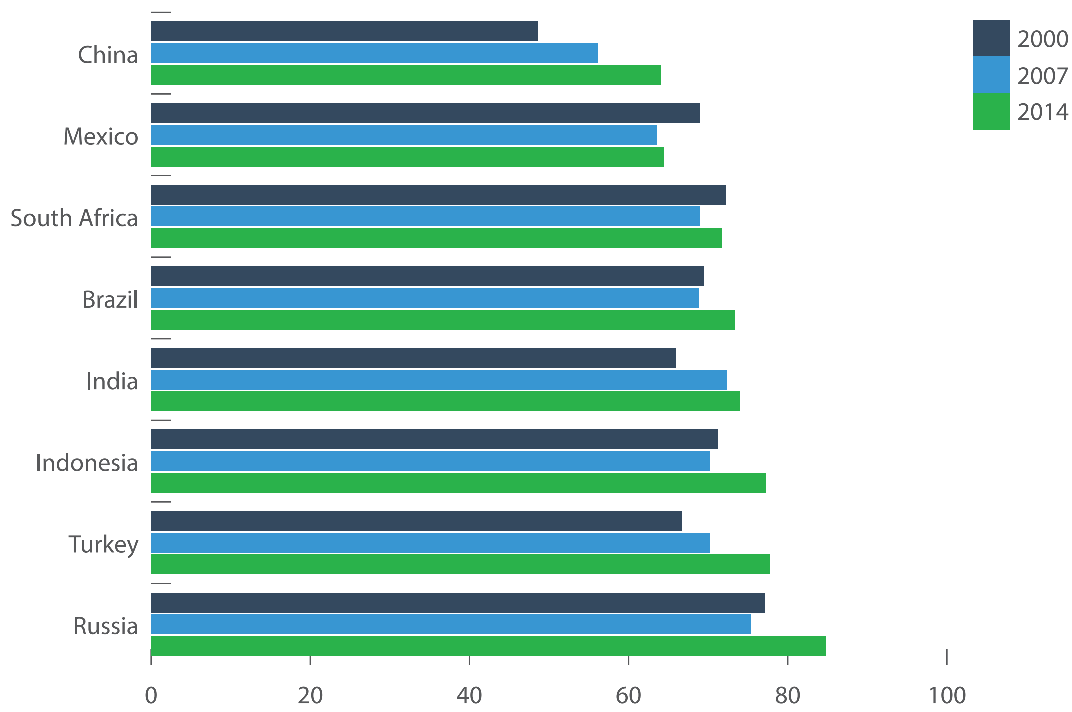
Wealth, defined as the value of financial assets plus real assets (principally housing) owned by households, less their debts,[51] has grown rapidly in the BRICSAMIT countries since 2000. It has tripled in Brazil, India, South Africa and Turkey, more than tripled in China, increased four-fold in Indonesia and by a startling eight times in Russia.[52] Moreover, China now has more residents with wealth above US$50m than any other country except the USA. The official numbers are likely to vastly underestimate the extent of private wealth: for every 'known' one of China's one million plus millionaires, by some accounts another two exist under the radar.[53] In South Africa, the number of millionaires with more than US$10m has grown 120% over one decade, compared with a world average growth of 71%.[54]

However, again, the massive increases in wealth have not necessarily led to decreases in inequality: China and India are more unequal than in decades. Only Brazil, Indonesia and South Africa have wealth distributions roughly similar to that for the world as a whole. The remainder of countries are yet more unequal: 88% of Indonesia's and 95% of India's adult population own less than US$10,000, compared to an international average of 70%, while Indonesia is home to 98,000 dollar-millionaires, and in India 650 people own more than US$100m.[55]

Simultaneously, in all of the countries both the number of millionaires and their respective wealth has risen over the past two decades, and Credite Suisse (2014) estimates that their number will continue to rise significantly over the next five years; in some countries almost doubling. Such high-end growth is a worrisome tendency compared to the constant or diminishing income share of the poorer groups documented above. Moreover, wealth trends do not necessarily follow the same trends as income. In India, where income inequality is rising continuously but from a relatively modest level and not nearly as dramatically as in other countries, the concentration of wealth is much more preoccupying. The share of wealth held by the richest 10% in China is the most modest of the BRICSAMIT countries. Yet China's Gini coefficient seems to have grown from 55 in 2002 to an estimated 76 (a level comparable to that of the USA) in 2010[56] – a very rapid change for such a short period of time. Hence, wealth distribution is not only even more unequal than income;[57] it is also becoming more unequal at a faster rate.

Alarmingly, even in those countries where income inequality seems to have fallen over recent decades – namely Brazil and Turkey – wealth inequality is actually on a fast *rise*. Whereas a majority of the countries (Mexico, South Africa, Russia, Indonesia and Brazil, in order of decreasing change) experienced a timid decline in the share of wealth held by the richest 10% between 2000-2007, their share increased rapidly again following the global economic slowdown in the wake of the 2008 global financial crisis, reaching very high levels in all of the BRICSAMIT countries, particularly in Russia, China, Turkey and Indonesia. In Mexico and China the richest 10% now hold more than 60% of total wealth; in Brazil, India, Indonesia, South Africa and Turkey this proportion rises to above 70%. In the most extreme case of wealth inequality in the world, Russia, the richest 10% hold 85% of total household wealth.[58] Indeed, as Figure 8 shows, the share of the richest 10% now by far exceeds its 2000 levels in all but two countries, Mexico and South Africa (though in the latter it is only 0.5% below its 2000 level).

FIGURE 8: **TRENDS IN THE WEALTH SHARE OF THE RICHEST 10%, 2000-2014**



Source: Data from Credite Suisse (2014)[59]

THE TOP WEALTH IN PERSPECTIVE

As with income, if we scrutinize the very apex of wealth holders, distances to the rest of the population become astronomical.[60] The respective countries' richest citizen owns between an estimated US$77.1bn in Mexico and US$4.4bn in Turkey (Table 2). Comparing the immense size of these private fortunes to their home country's GDP shows that in Mexico, this one man owns wealth equivalent to almost 6% of the production value of the entire country with its 122 million people. His wealth is equivalent to the GDP of Cuba or Oman, and just above that of Belarus, Sri Lanka and Azerbaijan. In South Africa, the richest man holds the equivalent of more than 2% of the country's GDP, and in Brazil, Indonesia and India above 1% of GDP.

Considering only the change in wealth these individuals experienced over the last year, we find that in India, the richest man's income corresponds to almost 1.5 million times the average income; in China this ratio is over 1.4 million. In Indonesia, Brazil and Mexico the richest man earned almost half a million times the average income.

TABLE 2: **WEALTH OF THE COUNTRY'S RICHEST PERSON IN PERSPECTIVE (2015)**

Country	Richest Person	Core Business	Personal Wealth (US$ billion)	Wealth as % GDP	Richest Person's Income 2014 (US$ billion)	Ratio of Richest Person's Income 2014 to Country's Average Income
Mexico	Carlos Slim Helu	telecommunication	77.1	5.95	5.1	470,623
Brazil	Jorge Paulo Lemann	beer	25	1.11	5.3	478,881
China	Wang Jianlin	real estate	24.2	0.23	10.8	1,426,240
India	Mukesh Ambani	petrochemicals, oil, gas	21	1.03	2.4	1,476,341
Russia	Vladimir Potanin	metals	15.4	0.75	2.8	195,577
Indonesia	R. Budi Hartono	tobacco, banking	9.3	1.09	1.7	499,416
South Africa	Johann Rupert	luxury goods	7.4	2.17	0.1	15,737

Source: Data from Forbes (2015)[61], IMF (2014)[62]

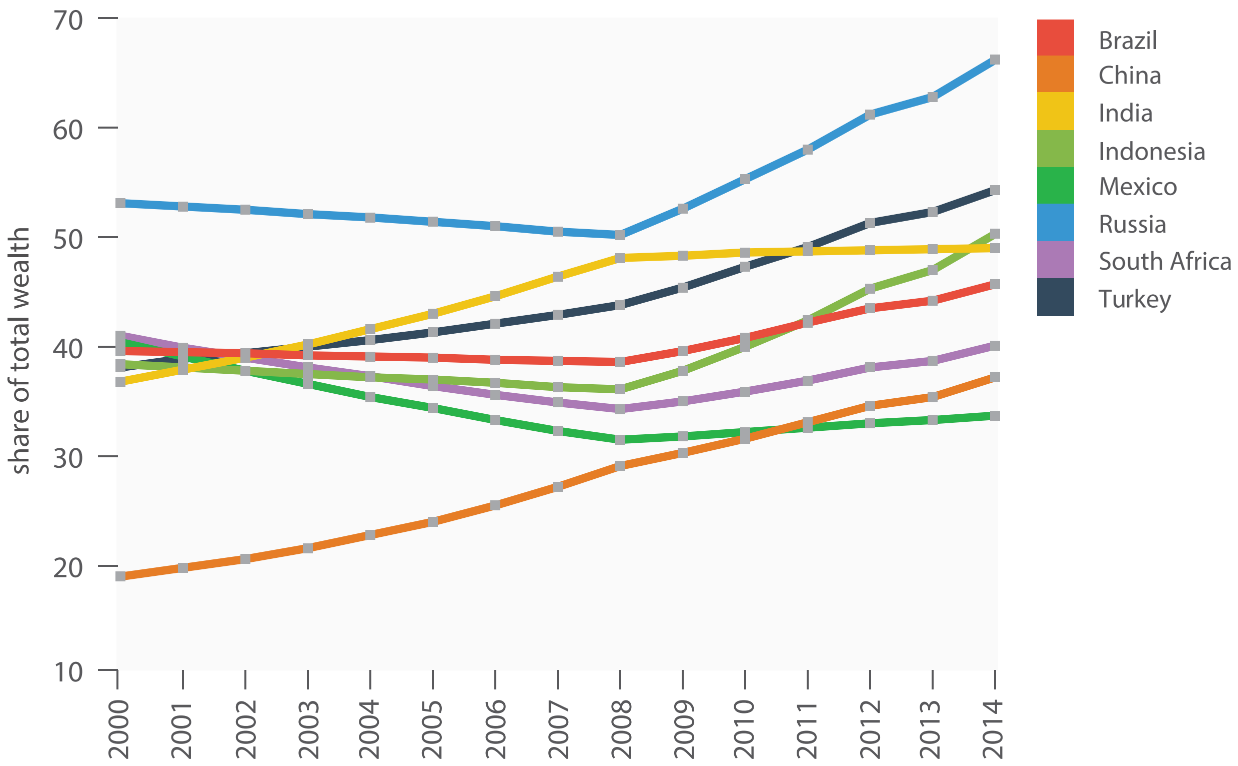
Given such numbers it is difficult to justify differences on any account of marginal productivity, let alone basic fairness or egalitarian justice; it is unlikely that India's, China's or any countries' richest person could be almost 1.5 million times as productive as their compatriots. Additionally, considering that large parts of the wealth accumulated by the very richest stem from capital gains, people's skills, knowledge and experience becomes less relevant in the generation of wealth. Even in South Africa, where the difference between average income and that of the richest man is smallest, it would take the *average* worker 15,737 years to earn what the country's richest man made in just one year.

With just his *increase* in wealth over the last year, Mexico's richest man could have paid close to three minimum salaries[63] to his 1.25 million fellow Mexicans living on less than US$1.25 a day in 2012. And the combined wealth of the seven men listed in Table 2, amounting to almost US$180bn, equals the annual income of all those 425 million people who live on less than US$1.25 a day across the BRICSAMIT. This vast disparity points to a systemic issue whereby certain population groups are excluded from opportunities and influence while others are enabled to shape the system.

The wealth 'shock effect' following the 2008 financial crisis was the result of a combination of factors in its aftermath rather than a direct result of it: unstable markets and high degrees of turmoil and insecurity among investors offered unexpected opportunities for enrichment. Such crises tend to consolidate industry – i.e. some firms go out of business, while struggling companies are taken over by competitors and strategic businesses have to be supported by public funds to stay afloat. This tends to benefit the owners of surviving firms, while many workers might be dismissed on 'efficiency' grounds.

The resulting inequality is exacerbated by individuals at the top end consuming less of their assets compared to average income earners, who need to spend most of their current incomes to make ends meet – meaning continuous accumulation of further wealth for the former. A government running fiscal deficits that threaten its operations at times of private-sector slowdown might also sell off public assets and/or cut social spending. Those with sufficient financial cushioning tend to be less affected by this and have better capacities to get on their feet again, even where they might have lost assets temporarily.[64] Figure 9 displays this effect very clearly, showing the sudden rise in the share of total wealth going to the richest 1% after 2008.

FIGURE 9: **WEALTH SHARE OF THE RICHEST 1%, 2000-2014**



Source: Data from Credite Suisse (2014)[65]

THE RESHUFFLING OF WEALTH IN TIMES OF TRANSITION (OR HOW THE RICH MADE THEIR FORTUNES)

Other systemic shocks in the past have had similar effects of reshuffling wealth in the BRICSAMIT countries. Most significantly, the structural change beginning in the 1980s or early 1990s, which all of the countries underwent, pushed inequality up significantly through the creation of new possibilities for enrichment – both in those countries where inequality levels had been low by international standards and in those where they already were high. This was the case during the collapse of the Soviet system and the ensuing shock-therapy transition process which led to the rise of the oligarchs in Russia, but also the move towards a more market-oriented economy in China since the reforms in 1978.[66] As a legacy of their communist era, China, like Russia, inherited low levels of inequality. One of the reasons for this was the virtual absence of inherited fortunes, and a relatively equal division of both rural land and privatized housing.

However, the banking reforms of the 1990s to accommodate the new socialist market economy, as well as a controlled market opening and increasing participation in global trade, yielded special opportunities for investment that many entrepreneurs were able to take advantage of, making them rich in the process. Figure 6 above has shown the effect of such shocks on the income distribution, with the share of the richest 10% spiking up in Russia in the late-1980s, and growing at an increased pace in China in the late-1980s and again in the late-1990s. Between 1988 and 2002, (rural) China's wealth Gini increased from 31 to 40.[67]

Clearly, the changing institutional environment opens up the opportunity to make fortunes. Although the objective then as now was to bring growth to the countries, a small elite has been able to benefit more than average from these adjustments through purchasing formerly state-owned enterprise, which allows for monopoly rent extraction. Examples of this include the sale of the Russian oil giant Yukos to Mikhail Khodorkovsky in 1995, as well as the sale of the Mexican phone company Telmex to Carlos Slim in 1990.

In Mexico, as in Brazil, a wealth shift happened with Washington Consensus recommendations for unilateral market opening and comprehensive privatization; this started in the debt crisis of the 1980s, which consolidated existing oligarchs and created new ones. The new governments of post-authoritarian regimes in Indonesia and Turkey have pursued similar agendas of economic liberalization since the 1980s, and in South Africa, transition after Apartheid in the 1990s led to the creation of a new political elite alongside the traditional one. According to Acemoglu and Robinson,[68] such reshuffling occurs because the economically powerful are able to strongly influence the shape of new institutions during the insecurity, weak law enforcement, and accountability or power vacuum that tend to accompany systemic changes.

Despite the large absolute differences in wealth between the richest individuals of the respective countries, as in other parts of the world the wealth in the BRICSAMIT countries is accumulated in the hands of a fairly homogenous group. There are virtually no women or members of ethnic minorities among the 100 wealthiest people of these countries. For instance, of China's super-rich, 90% are male;[69] India's top 100 rich list counts four women; and Indonesia only features one woman in the top 50. The average age of the top 50 in India is 66.6 years, and Indonesia only has three members under 50. China's super-rich are comparatively young, with an average age of 40. Excluding inherited wealth, in Russia, nine of the top ten richest people have made their fortunes in extractive industries (oil, minerals etc.); while nine of the top 19 wealthiest in China got rich thanks to telecom and internet companies, also a favoured sector among the super-rich in Brazil, Mexico and Russia. Other popular areas of investment for the rich include construction, real estate and banking. All of these depend heavily on government permissions and regulations.

Family members help a pregnant woman of Mohanpur Village get off from an auto rickshaw in front of the Maner Primary Health Center in Patna district, Bihar, India. The Center is understaffed and lacks sanitation and proper equipment. Family members are often asked to help with deliveries. (2015)

Srikanth Kolari/ Oxfam India

3. THE VICIOUS CIRCLE OF ECONOMIC AND POLITICAL POWER

The above suggests that the accumulation of wealth in this context works largely through small groups of individuals and families thriving through their proximity to political elites, and running the biggest raw-material and infrastructure companies of the country undoubtedly helps to provide certain political influence. These individuals either happened to be in the right place and time at the moment of large-scale privatization (Russia, China); were long-standing friends of the leaders of old and new political regimes (India, Brazil); or they just became those leaders themselves (Mexico, South Africa). Since contracts over former public assets are made available exclusively through government permissions, these are susceptible to corruption by powerful actors, especially where combined with low public sector accountability or weak rule of law. This is a political problem, because it grants those people with the necessary economic means more influence than average citizens.

An example of such influence is the case of the *Semibankirschina,* or 'rule of seven bankers' in transition-period Russia in the 1990s. A group of seven oligarchs controlling the country's major banks joined forces to back their preferred presidential candidate, Boris Yeltsin, to ensure a favourable environment to improve their own positions. The infamous loans-for-shares programme in 1995-6, in which a handful of well-connected businessmen bought stakes in major Russian companies at very low prices through rigged auctions,[70] was proposed by group member Vladimir Potanin, who is currently Russia's richest man (see Box 2).

BOX 2: THE SEMIBANKIRSCHINA

In a 1996 interview to the *Financial Times*, newly appointed deputy secretary of the Russian Security Council, billionaire Boris Berezovsky, credited seven prominent Russian bankers, including himself, with bankrolling and masterminding Boris Yeltsin's presidential re-election campaign. Between them, Berezovsky claimed, they controlled more than 50% of Russia's GDP: 'We hired [first deputy prime minister Anatoly] Chubais and invested huge sums of money to ensure [president Boris] Yeltsin's election. Now we have the right to occupy government posts and enjoy the fruits of our victory.' Another member of the group, head of Rosprom, Mikhail Khodorkovsky, said in an interview with *Nezavisimaya Gazeta* in 1997 that 'Politics is the most lucrative field of business in Russia. [...] We draw lots in order to pick out a person from our milieu for work in power.' Indeed, several of the bankers ascended to important political posts after the election was won, including Vladimir Potanin, head of Unex-imbank and the group's richest member, who become deputy prime minister. However, in mid-1997, battles for influence over gains to be made from new privatization rounds (of telecom and oil) broke out among the bankers, and by November 1997 Berezovsky was removed from office and the group dissolved.
(The term *Semibankischina* was originally coined by a journalist as a contemporary adaptation of '*Semiboyarschina*', the seven *Boyars* or nobles who betrayed the Tsar and defied Moscow for the invasion of Poland in 1610.)

Sources: Azarova 2011, Phillips 2000, Piontkovsky 1997[71]

The economic flip-side to the same political problem is that opportunities open up for rent-seeking, i.e. the extraction of wealth without creating new wealth, and for the monopolization of access to vital resources. The owners of these assets can sell a more expensive product or service back to the very state that sold off the business in the first place. As such, after privatization, the price for water in Jakarta increased from about US$0.13 to US$0.54 per cubic meter – 2.7 times the rate charged by the public water utility in Surabaya, the second largest city in Indonesia.[72] Such mutual back-scratching makes both the investor and the politician richer in the process.[73]

Moreover, this preferential treatment is incredibly difficult to curb in a context where the public sector collects low revenues via the tax system, as seen in Section 2. In India, tax revenues represent only around 15% of total economic output – compared to nearly 40% across the European Union.[74] Fewer than 3% of people in India file income-tax returns at all, and conservative estimates of taxes foregone as a result of the underground economy lie anywhere between 17-42% of GDP.[75] To compensate a diminutive fiscal sector, BRICSAMIT countries rely on exploitation of natural resources and privatization of formerly public infrastructure to get liquidity and top up their operating budgets. The energy sector is a startling example of this rent-extraction phenomenon. The BRICSAMIT countries not only rely almost exclusively on fossil fuels for energy supply within the country[76] but, importantly, construct their economic models around these as their main export components and source of government income: for example, revenues from national oil company Pemex account for around 30% of the Mexican government budget.[77,78]

But especially where natural assets are privatized (as has happened with much of the energy resources in Russia, and water in Jakarta[79]), exposure to related threats is highly unequal. As such, in Brazil and Mexico, indigenous peoples are disproportionately affected when forests are eroded for mining or farming, destroying their homes and livelihoods. Massive dam projects in China and palm oil plantations in Indonesia also see poor farmers and villagers pay the costs while private corporations reap the profit.

MECHANISMS OF POLITICAL CAPTURE

The very top is occupied by a select few who come from well-to-do-families, tend to go to the same schools, share common social and political networks as well as business interests, often in (extractive resource) trading or banking, telecommunications and media.

As in any small in-group that shares common (business) interests and interacts on the same global (economic) stage, elite members know each other and rely on their connections for personal profits. They study together at expensive private universities[80] or Swiss boarding schools,[81] live as neighbours in Sandhurst, South Africa,[82] or meet regularly at annual economic events across the world such as the World Economic Forum in Davos.[83] This would not have to be problematic if it weren't for the fact that the entanglement of rich individuals in such networks has a collective capacity to influence policies, and thereby permanently change the institutional landscape and rules of the game for everybody – to the continuous advantage of an already privileged group.

As a consequence of this entanglement, one recurring theme across the BRICSAMIT countries is a high permeability between the political and economic elites. Depending on the local particularities, different styles of oligarchic behaviour can be observed, both in terms of taking advantage of current opportunities and of shaping the institutional landscape to ensure that these opportunities will keep arising in the future.

In Brazil, for instance, of its 65 richest billionaires, 25 are blood relatives, and eight families have multiple members in the top rankings;[84] some have been there for decades or even centuries (see Box 3). The elaborate power structures necessary for such stability in the concentration of wealth include virtual control over media and strategic economic assets such as banks and natural resources.

BOX 3: TRADITIONAL BRAZILIAN WEALTH

Brazil has 225,000 millionaires and 296,000 adults in the top 1% of global wealth holders. In 2014, the 150 richest Brazilians saw their combined wealth increase 18.5% compared to the year before, corresponding to about 13.3% of Brazil's 2013 GDP. Together, just the **15 richest families in the country** are worth an estimated US$**122bn –** or about 5% of the country's GDP. The wealth of an average citizen, on the other hand, amounts to the 841,880th part of its richest citizens' 2014 wealth. Brazilian wealth inequality is very high, with an estimated Gini level of 82. Many billionaires are concentrated in traditional rich clans who still control Brazil's largest conglomerates in media, banking and construction. These dynasties that resist going public and remain family businesses include, for instance, the Marinho clan, the richest family in the country and owner of Brazil's largest media corporation, Globo Organizations, which controls about half of Brazil's broadcast television market. The Villelas and the Setubals together share control of Itau Unibanco Holding, the largest private bank in the Southern hemisphere. The history of wealth and power of these families dates back over four centuries to the 1500s.

Sources: Credite Suisse (2014) and Antunes (2013, 2014)[85]

Due to the specific regulatory environment surrounding them, these industries require particular closeness to the political elite. Incidentally, they have also played the largest role in the spectacular rise of China's super-rich: 16 of the top 20 richest Chinese made their wealth either in real estate, internet and telecommunications, or in the energy sector. As of 2013, 50% of Chinese millionaires were business owners, 20% professional investors, and 15% each were real-estate investors and high-level senior executives.[86] Clearly, market opening brings with it great business opportunities – but only for those sufficiently aligned with political power: 90% of China's 1,000 richest individuals are officials or members of the Chinese Communist Party.[87]

In India, the interconnectedness of politics and money works through intimate friendship. Although previous governments have also supported corporate interests and uphold close relations with the Ambani family, the country's richest business clan,[88] immediately after Narendra Modi's election in 2014, stock markets soared upon the expectation of a corporate-friendly prime minister, gaining over 40% in just one year. However, overall GDP growth was much slower to adapt to this euphoria, and food inflation remained at close to double-digit values. Certainly, this is 'hardly the concern of the wealthy',[89] 95% of whom saw their fortunes grow last year.[90] Their good fortune also raises expectations for Indonesia, where extraction strategies recently seemed to experience limits as some of the major resource magnates saw their wealth diminish in line with decreasing palm oil profitability. The millionaires, including the Hartono brothers (the richest family in the country) remain cheerful though, since the collective wealth of the richest 50 Indonesians continued to increase in 2014.[91] Several new entrants to this year's millionaires' list in the country testify to the prosperous conditions.

THE REVOLVING DOOR BETWEEN BUSINESS AND POLITICS

Meanwhile, in South Africa yet another strategy can be observed. Multi-millionaire investor-entrepreneur Cyril Ramaphosa, now Deputy President of the ANC, hopes to circumvent the politician-intermediary altogether by running for the country's presidency himself in 2017. The many contradictory hats he has worn in the past (union leader and buster, black economic empowerment success story, and part-owner of both McDonald's and Coca-Cola's South African outfits)[92] testify to his adaptability and connectedness. Self-evidently, he also runs on a pro-business platform. Similar trends are also discernible in Mexico, where business people have moved into politics already, such as the oil company owner and current energy minister Pedro Joaquín Coldwell (see Box 4).

Russia adds a new twist to this 'revolving door' operation between business and politics. Having created the basis of their fortunes during the transition in the 1990s, when large-scale privatization meant auctioning off state mines and oil fields, oligarchs started to control much of the economy through their dominance of natural resources.[93] Recently, the same group of individuals started to sell their assets back to state enterprises run by associates of, or billionaires closely aligned with, the government. An example of this trend is the TNK-BP deal: the oil producer, which is half-owned by a Russian consortium and BP, sold itself to state oil giant Rosneft, the world's top-listed oil company by output, for US$55bn,[94] in 2013. The latter is run by Igor Sechin, a close ally of Russian President Vladimir Putin; Sechin became head of the company in 2012, after serving a term as the country's deputy prime minister.[95] At the same time, many of the Russian super-rich now strive back towards the political realm. At the last election, Mikahil Prokhorov (who made his US$13bn fortune in natural resources, and more recently technology) ran for presidency,[96] while Putin's right-hand man, Gennady Timchenko, is a highly influential energy and construction magnate in Russia.

After an extraordinary period of personal enrichment and a widespread consolidation of political and economic power in the process, together with Turkey and Indonesia, Russia is one of the few countries with fewer billionaires this year compared to last. Rather than the richest losing ground, however, this development relates to the local currency devaluations, and potentially to more efficient and quiet ways adopted by the super-rich to get their money out of the (official) system. As such, US$151.5bn was taken out of Russia in 2014 – which is 2.5 times the amount of capital that exited the country the year before.[97] Overall, illicit financial flows from the developing world by far exceeded legal inflows of money, and these illicit flows have increased particularly from the BRICSAMIT countries with high rates of resources extraction. In the case of Brazil, for instance, assets put into secrecy jurisdictions were estimated at US$520bn in 2013.[98]

Therefore, notwithstanding the financial input of remittances sent by nationals working abroad (which in turn by far exceeded foreign direct investment), in 2012 all of the BRICSAMIT countries experienced a net outflow of private financial capital, of between 1% of GDP in Russia to 5-6% in Mexico and Turkey.[99] This phenomenon of financial drain at the top alludes to a highly costly and unsustainable model of development in the longer term. It follows that extreme inequality not only has a corrosive effect on social life – it is also a very poor economic strategy.

THE INSTITUTIONS THAT PERPETUATE PRIVILEGE

This brief overview has already identified a number of key models applied by the respective elites: generating private profits off public goods by taking advantage of personal connections that might lead to conflicts of interest for the office holders; entering and exiting through the revolving door in and out of decision-making positions in business and politics; and sponsoring public infrastructure projects. The list of strategies can be extended to include channelling of illicit financial flows and offshoring; buying access to election outcomes; and also corruption and bribery. Not all of the diverse strategies employed are illegal. But all of them, whether legally permitted or not, lead to a situation where the economic and political elite become increasingly intertwined in their mutual dependence on, and support for, each other.

As explored in Section 2, opportunities for personal enrichment arise in societies undergoing systemic change, yet it appears that a small economic elite in the BRICSAMIT countries managed to get richer even during less turbulent times. The recipe for this astonishing achievement seems to include the two important opportunities that come with economic affluence: the power to influence policy towards some preferred outcome at a given time; and the power to rig the rules, which establishes the persistence of privilege in the future.

FINANCING POLITICS

Economic sponsorship can grant certain influence over both policy outcomes and the regulatory framework. Two channels further help to build an environment that favours the privileged. For one, the command over most of the key strategic sectors for growth by a narrow group of influential individuals provides them with control over large parts of the economy. This imposes the threat of their boycotting policies and stalling the economy in instances where such policies are not perceived to be beneficial. Acemoglu and Robinson[100] describe how extractive elites block certain technologies or increased spending on education, if and when such policies do not promise them private gains.

Secondly, in the BRICSAMIT countries, an economic system organized entirely around the aim of increasing growth (rather than focused on citizen well-being as its prime goal) meets a political system that requires vast resources for aspiring politicians to be elected into office. This makes the government susceptible to elite pressures. Few candidates can cover the immense costs of running an independent campaign, and those who can are themselves part of that tiny elite.[101] Consequently, donors of funds can exert significant influence over regulatory agencies or politicians, who become increasingly accountable to their sponsors rather than their constituents.

One of the factors allowing such aberration is the countries' systems of election finance. Table 3 shows the limits for campaign financing in the BRICSAMIT countries. In many cases, these are largely absent. Even where they do exist, the threshold is often high, e.g. in Brazil, corporations are allowed donations for campaign finance equivalent to 2% of their gross revenues (individual donors, 10% of their income); however, this only refers to election campaigns – outside election times there is no limit to party contribution.[102] In Russia, corporate donors should limit their contributions to $14m in purchasing power parity; in India $1.4m. In practice, nearly 90% of the Indian Congress' income and 75% of the ruling Bharatiya Janata Party's income stem from donations below the disclosure limit of Rs20,000 (around US$300) and are therefore not accounted for.[103] In Turkey there is no requirement to even list a donation, while in South Africa a donor's identity does not have to be revealed (in India it only has to be revealed 'sometimes'), making it very difficult for concerned citizens to oversee which interests may be considered in the making of certain laws.

TABLE 3: **REGULATIONS FOR POLITICAL FINANCE IN THE BRICSAMIT COUNTRIES**

	Is there a ban on donations from corporations to...		Is there a ban on donations from corporations with government contracts or partial government ownership to...		Are there limits on the amount...			Do campaign finances have to be reported...		Must reports from political parties and/or candidates reveal the identity of donors?	Is there a ban on anonymous donations to political parties?
	candidates?	political parties?	candidates?	political parties?	a political party can spend?	a donor can contribute to a candidate?	a donor can contribute to a political party in relation to an election?	by candidates?	by political parties in relation to election campaigns?		
Brazil	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
India	No	No	Yes	Yes	No	No	No	Yes	No	Sometimes	Yes
Indonesia	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Mexico	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Russia	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
South Africa	No	No	No	No	No	No	No	No	No	No	No
Turkey	No	No	No	Yes	Yes	No	Yes	No	No	Yes	Yes

Source: Data from the International Institute for Democracy and Electoral Assistance (2015)[104]

The way that elections are financed thus gives an indication of the potential for political capture by influential interest groups. Of the roughly US$2bn spent by parties and candidates in the 2010 Brazilian presidential election, nearly 98% of winner Dilma Rouseff's campaign donations and 95.5% of her main opponent's came from corporations.[105,106] Large corporate donations to influence policy outcomes are also documented in Turkey and South Africa.[107] In India, upwards of US$2bn was allegedly spent to influence the Uttar Pradesh state elections in 2012 alone. Moreover, accounts of 'clientelism', with electoral campaign funds being used to win votes among poor and disadvantaged communities, are not uncommon: in the 2009 election for the Indian state of Tamil Nadu, 33% of voters claim to have received money from candidates' supporters for their vote; in 2011, voters were lured to the polls with blenders, grinders and other household appliances;[108] and the 2012 elections in Mexico were overshadowed by allegations of supporters distributing household articles, food and other products.[109]

What do the corporate sponsors gain from this practice? In fact, financing parties and candidates – often several adversaries at the same time – is a highly lucrative business for private corporations. One recent study carried out in Brazil found that an electoral victory brings on average an additional US$73,921-184,676 in government contracts for each corporate donor, corresponding to 14-39 times their average contribution.[110] While there is no way of telling whether these companies would have received similar contracts in the absence of their donations, it can be assumed that their sponsorship would not have hindered such preferential treatment (see also Box 4).

MEDIA CAPTURE AND ABILITY TO INFLUENCE PUBLIC OPINION

It is therefore unsurprising that most members of the economic and political elites are scarcely interested in changing this mutually beneficial environment, and so in their best abilities try to influence the regulatory framework and policy making.[111] On the economic elites' side, this can be by 'voting' massively for the candidate that best suits their interests by supporting their expensive campaigns, as described above; by 'recommending' that others vote for specific parties/candidates, as exercised by millionaire football coach Miguel Herrera at the 2015 Mexican elections to favour the PVEM;[112] or by lobbying and providing 'expertise' to governments in the discussion of new regulations. Politicians may simply accept, or actively seek such 'favours'. The outcome of these practices is vast political inequality often in line with increasing democratic deficits, where economic elites tilt the 'playing field' towards their specific in-groups.

Elite occupation of mass communication channels fosters a vicious cycle of political-cum-economic power, where rules and laws can be manipulated according to the specific interest of influential sponsors. The monopolization of the media leads to the ability to influence public opinions and to make or break political careers. This is epitomized in the cases of Globo, which provides preferential airtime to conservative candidates in Brazil,[113] or Televisa, which controls 70% of the Mexican television market and played an important role in the rise to presidency of Enrique Peña Nieto.[114] In India, Mukesh Ambani holds majority shares of the country's largest news broadcaster, Network18 Group.[115] The investment in media thus seems to be a distinct elite strategy: beyond the pure economic benefits, it offers decisive powers in the making of public opinion and politics.

CORRUPTION AND CONFLICT OF INTEREST

Although not all members of the political and economic elites are corrupt, the above shows that the temptation and potential for corruption is higher where the opportunity for raking in is so accessible. While some countries have put into place protection mechanisms against conflict of interest, it seems that these are not always very effective, and the public is not given any control mechanisms to check whether the law is actually adhered to (see Box 4).[116]

Unsurprisingly, trust in national government remains fairly low in the BRICSAMIT countries. For instance, 91% of Mexicans consider political parties the most corrupt institution in the country.[117] This goes hand in hand with the public's consistently low trust in financial institutions, banks and corporations; except in South Africa, this is even lower than trust in governments and public servants (which is the second lowest).[118] Clearly, political capture and conflict of interest have to be understood as two sides of the same coin – and as a 'natural' phenomenon in fast-growing, lightly regulated economies. Through corruption, clientelism, populism and/or repression, these lead to citizen disenfranchisement and alienation from the political process, ultimately undermining emancipatory and democratic tendencies.

BOX 4: CONFLICT OF INTEREST AND THE REVOLVING DOOR IN MEXICO

The current president, Enrique Peña Nieto has the lowest approval rating of any president in the past two decades.[119] His government is facing numerous large-scale corruption scandals over the finance of mansions worth millions, involving the most important members of the executive (the president and his wife, and his ministers of the interior, Miguel Ángel Osorio Chong, and finance, Luis Videgaray). The deal's sponsor is the private conglomerate Grupo Higa, whose owner Juan Armando Hinojosa Cantú happens to be Peña Nieto's 'favourite entrepreneur',[120] and has, incidentally, received billions in government contracts in recent years.[121]

Despite an explicit restriction by the Mexican legislation to avoid conflict of interest, which states that individuals must cut all links to profit-making enterprises they or their relatives (up to 'fourth consanguinity' degree) hold upon taking up public office,[122] violation of this law seems common practice across the political spectrum. Energy minister Pedro Joaquín Coldwell (PRI), for instance, does not perceive a conflict of interest in being part of the administrative council of the state-owned petrol company Pemex, while at the same time personally holding majority shares in five oil enterprises.[123] Other public figures implicated in the most recent cases of conflict of interest include the likes of finance minister Luis Videgaray; deputies Purificación Carpinteyro (PRD) and Javier Lozano (formerly PRI; then PAN); and senator Ninfa Salinas (PVEM), daughter of the fourth-richest person in Mexico, Ricardo Salinas Pliego, who in turn owns the conglomerate Grupo Salinas, media giant TV Azteca, and some of the country's largest banks, football clubs and department stores.[124]

Although the law also provides for factual division of power and until recently prohibited re-election, there has been a remarkable overlap between delegates to the senate and Parliament. Some congressmen have accumulated 14-30 years 'living off the Union's Congress' in the past eight decades. Of the 10,027 legislators that went through the federal chambers in Mexico, 1,448 were members of more than one legislature.[125] Fortunately for them, with the re-election approval on 7 June 2015, this behaviour has been legalized.

CLOSING THE CIRCLE

In sum, where wealthy individuals can meet the need for campaign finance, and in macroeconomic terms the country requires growth while a limited number of individuals have the capacity to influence the national economy's fate, political capture is likely to be the result, and leads to the self-perpetuation of inequality. Politicians who wish to be re-elected – often on the strength of a thriving economy – almost invariably become dependent on a few sponsors with the financial capacity to influence their destiny. Even where not directly corrupted and/or personally involved, the desire for transparency and accountability might diminish where ties between these two spheres grow too close. The resultant political capture by wealthy elites is both a form of corruption and a form of discrimination, making it inherently unequalizing – through its direct effects, and indirectly, by rigging the system ever-more to the interests of said elite.

A society's key social, economic and political institutions, such as its political constitution, level and progressivity of the tax system, prevailing welfare regime, bargaining power of labour unions and other labour market regulations (e.g. minimum wage), the structure of educational and electoral systems, accountability to civil society, and many others,[126] constitute the backbone of its inequality potential; they provide the possible range within which inequality levels will fluctuate. They affect the distribution of resources across society leading to huge gulfs between rich and poor in terms of educational outcomes, wages and health – i.e. *symptoms of inequalities*. These consequences in turn feed back into the institutional context and prevailing power relations, slowly changing them over time. If key institutions are – wittingly or unwittingly – designed deficiently from the outset, or are eventually captured by elites, inequality will prevail.

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4. THE HIGH COSTS OF INEQUALITY

If in this way economic power begets political power, which again increases economic power, what impact does that have on average individuals' well-being? What is the impact of elite capture on the majority of people, who do not have direct links to executive power and are thus largely excluded from the decision-making processes that shape societal structures? Inequalities affect people in every area of their lives. Social structures of income and wealth concentration drive these inequalities, but demarcation lines of privilege may additionally run along dimensions such as gender, ethnicity or geography.

The problem is that all of the vital inequalities are far from randomly distributed; instead, they are very closely related to the presence (or absence) of economic resources at the individual's disposal. The uneven distribution of economic resources comes to shape every aspect of a society. In capitalist societies[127] to have money is to have freedom, while insufficient income and wealth leads to the denial of freedoms and exclusion from the main activities of a society.[128] In the BRICSAMIT context, state provision of essential services is often limited, so the availability or otherwise of economic resources is a key determinant of well-being in most other dimensions, i.e. an individual can also improve their own and their children's intrinsic situation by investing in the private, expensive version of key goods, including education, health-care and social protection, thereby securing higher income levels in the future. This effectively results in two tiers of development within the same society.

INEQUALITIES AFFECT EVERY ASPECT OF LIFE

Inequalities affect other important aspects of quality of life besides our incomes, including our physical and mental well-being, the environmental and social conditions we live in, as well as our prospects of leading a fulfilled life in terms of choosing the education and jobs we want to develop our own capabilities. Disaggregating the Human Development Index (HDI)[129] according to income groups, we are faced with stark differences in developmental levels. Standards enjoyed by the highest quintile – the richest 20% of the population – exceed average levels of even the most economically advanced nations, whereas the lowest quintile's levels compare to those of the least developed countries.

Whether one belongs to the highly developed group or one of the lower ones depends both on one's economic resources and geographical location within a given BRICSAMIT country, due to persistently large regional differences in economic performance. For instance, the ratio of GDP per capita in the richest versus poorest regions of Russia can be compared to the developmental difference between Norway and Iraq. In Mexico, the richest region earns 16 times more than the poorest earns. As such, the rural-urban divide is still a reliable indicator of incomes. But living costs also vary greatly within countries and are not always in proportion to differences in incomes. For instance, consumer prices in Jakarta are more than 65% higher than those in the East Javan city of Surabaya, and receiving an average income will mean something very different for a farmer in rural Indonesia than it will for a (capital) city dweller.[130] Large-scale migration towards megalopolis from the rural hinterlands and a lack of absorption capacity by the recipient cities has meant the creation of shantytowns in all of the countries, sometimes with populations of several millions of people.[131] But what do these development differences mean when translated into in less abstract terms?

UNEQUAL HEALTH AND LIFE EXPECTANCY

Most dramatically, perhaps, average levels disguise vast differences in life expectancy, both across our set of emerging countries and compared to the top-ranking developed nations. Collectively, the BRICSAMIT fare much worse than the developed countries: average life expectancy ranges from 56.9 years in South Africa to 77.3 years in Mexico, compared to 83.6 years in top-scoring Japan. Such differences might arise from genes and disease, but are also driven by social threats such as high murder rates; exposure to environmental threats; the level of public sector investment in health services; and individual capacity to purchase high-quality services where they are not provided for by the state. All of these are highly unequally distributed in the BRICSAMIT countries.

TABLE 4: **DIFFERENCES IN LIFE EXPECTANCY ACCORDING TO INCOME LEVEL FOR SELECTED COUNTRIES (AS MEASURED BY THE HDI LIFE EXPECTANCY COMPONENT)**

Country	Average	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Ratio Q5:Q1
India (1999/1997)	0.652	0.57	0.597	0.657	0.727	0.83	1.458
Indonesia (2000/2003)	0.752	0.665	0.724	0.741	0.801	0.883	1.328
Brazil (1996/1997)	0.783	0.644	0.782	0.911	0.94	0.991	1.538
South Africa (2000/1998)	0.418	0.347	0.426	0.461	0.432	0.521	1.499

Source: Data from Grimm et al. (2009)[132]

If, then, the richer 20% of the population were to live 70.8 years, as is life expectancy in Indonesia, for instance, a poor person would only live to 53, according to its quintile ratio of 1.5 (Table 4). She would enjoy 17.5 years less of life. In South Africa, this difference in life expectancy between the poorest and richest quintile amounted to 19 years; in India, 21; and in Brazil, almost 26 years.[133]

Whether or not one belongs to the fortunate group that can expect to live an extra 26 years depends largely on one's income, because, firstly, exposure to violence and related threats to physical well-being is confined to specific areas – usually the most deprived neighbourhoods.[134] Secondly, these differences are exacerbated by a two-tier healthcare system of expensive private and scarcely sufficiently equipped public services, where parts of the population are left largely unprotected. In Mexico, for example, in certain states, health centres associated with the Seguro Popular, a government-subsidized health insurance scheme for the poor, are unable to provide over 80% of the medication they prescribe.[135] At the same time, private clinics, which charge the equivalent of a month's minimum-wage salary for mere hospitalization[136] are modern, comfortable and equipped with state-of-the art technology. In China, 10% of millionaires have their own personal physician to overcome shortages in the provision of healthcare.[137] Consequently, with the exception of Indonesia, satisfaction with health systems in the BRICSAMIT countries is very low compared to the 80% satisfaction rate in top HDI countries; complete satisfaction with the Mexican Seguro Popular does not even reach 10%.[138]

PATCHY SOCIAL SECURITY COVERAGE

Similar things can be said about social security systems. Widespread informality in the labour market means that working conditions are often precarious, and insurances for unemployment, disability or old age in most of the countries, where they do exist, only cover fractions of society. This way, inequalities generated during working life are amplified during times of unemployment and cemented in old age. For the Indian context, with an estimated 85% of labour informality in 2012, Kanbur shows that informality leads to poverty, which again leads to informality.[139] This informality-poverty trap is both gendered and geographically biased, in that poverty incidence is consistently higher among unorganized than among organized workers, particularly among women and in rural contexts. According to Kanbur, this example informs the general case, pointing to the relevance of sectoral workers' organization, minimum wage regulations and social protection coverage as policies contributing towards greater equality. Working in the formal sector is no guarantee of a formal job; many companies employ workers on an informal basis or employ them formally for only part of the time they actually work. In Indonesia, informality within the formal sector reaches 80% and in the agricultural sector 96%.[140]

The issue of old-age pension coverage divides the BRICSAMIT countries. According to UNDP, this is enjoyed by a mere 8% of the population in Indonesia, 24% in India and 25% in Mexico.[141] However, these numbers contrast starkly with the extent of coverage in the remainder of countries, reaching high levels of 86-92% in Brazil, Turkey and South Africa, and 100% in Russia. In China, coverage is still 74% of eligible elderly; however, the social pension level is set at US$9 per month, or 1% of GDP per capita – hardly a sufficient amount.[142] Prospects for the elderly are hence quite diverse, depending on the country.

The experience with social pension schemes where level and coverage are more adequate, as in South Africa or Brazil (and parts of Mexico), shows that minimum conditionality and universal coverage in old age has progressive effects on the income distribution. This points towards a clear way forward, particularly considering the demographic change that the BRICSAMIT countries are starting to experience, with an increasing proportion of the population aged over 60.

UNEQUAL EDUCATION LIMITS SOCIAL MOBILITY

For now, those in precarious working conditions tend to face precarious old-age prospects, while those who benefit from the usually higher wage in formal jobs have the further advantage of receiving healthcare and future pension coverage. The two-tier services provision system leaves large parts of the population unprotected. Such vulnerability in the face of existential risks, besides inequality of outcomes, leads to very unequal *opportunities*. For instance, a single mother might not send her oldest child to school to ensure she can provide for her other children. Or a young person might choose not to pursue a university degree because she needs an income to support herself and/or relatives, cannot afford fees and does not want to take out a loan if future job opportunities are limited. Thus, lack of money in the present impairs people's decision-making on investments, for instance relating to higher education, hence limiting opportunities for social mobility in the future.

These differences in opportunities can be clearly observed in the educational sphere.[143] As with health, when disaggregating educational attainment by income quintiles (Table 5), vast differences appear between the top and bottom income groups. In Brazil, where the ratio is highest, this translates into a poor student finishing secondary school while her richer peer goes to university. Although official data reports near 100% primary school enrolment, in Delhi about half of the 50,000 urban street children were illiterate in 2011 and only 20% had received some formal education.[144] Many of these children never complete primary education; enrolment rates fall from 90.78% at early-primary level to 62.24% at upper-primary level.[145] Moreover, among poorer population groups drop-out rates are higher, and enrolment and attendance levels are lower. Only half of the poorest 10% of the population are literate, compared to 88.4% of the richest 10%.

TABLE 5: **DIFFERENCES IN EDUCATIONAL ATTAINMENT ACCORDING TO INCOME LEVEL FOR SELECTED COUNTRIES (AS MEASURED BY THE HDI EDUCATION COMPONENT)**

Country	Average	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Ratio Q5:Q1
India (1999/1997)	0.64	0.548	0.629	0.69	0.705	0.7	1.276
Indonesia (2000/2003)	0.832	0.746	0.807	0.84	0.874	0.921	1.234
Brazil (1996/1997)	0.888	0.682	0.854	0.935	0.986	1	1.467
South Africa (2000/1998)	0.843	0.836	0.84	0.846	0.846	0.846	1.012

Source: Data from Grimm et al. (2009)[146]

Differences in quality of education, particularly between rural and urban areas, perpetuate the trenches between the social strata. Turkey is one of three OECD countries that spend more on the education of its rich children than on the poor.[147] Such a divided education system means that in Mexico, just to cover the MXN$88,000 (approximately US$5,400) of annual fees to send their child to private kindergarten,[148] a worker receiving the minimum wage would first need to work for four full years. At the other extreme, of the CNY1.77 million (approximately US$280,000, or 3% of their average wealth) that Chinese millionaires spend on average each year, 20% goes on their children's schooling, and more than 85% of these super-rich plan to send their children abroad for education.[149]

THE GENDER GAP

All of the BRICSAMIT countries display important gender inequalities (Table 6). As such, women still receive incrementally less schooling than men, the higher the educational level considered. For income levels a large gap persists, even in Brazil where the female population appears to complete more years of school than their male peers. Although this gap is also consistently present in the top HDI countries,[150] it is extraordinarily large in the BRICSAMIT countries, notably in India and Turkey, where the percentage of women's income to men's reaches 29% and 31% respectively (followed by Mexico with 46%). This massive gender pay gap cannot be explained away by women's lower schooling levels, and exists in both the formal and informal sectors.[151] Women are also continually disadvantaged in the labour market: for example, Turkey and India see less than 30% of female participation.

TABLE 6: **GENDER INEQUALITY IN THE BRICSAMIT COUNTRIES**

country	2012 ratio secondary education (female/male)	female income (% of male) 2012	Female labor force participation % 2012	parliament seats held by women (%) (2013)	% of high level management positions occupied by women
Russian Federation	97	65.7	57.0	12.1	< 5
Turkey	79	31.1	29.4	14.2	10 – 20
Mexico	95	45.7	45	36	5 – 10
Brazil	103	60.9	59.5	9.6	5 – 10
China	87	68.7	63.8	23.4	5 – 10
Indonesia	91	48.8	51.3	18.6	5 – 10
South Africa	97	56.1	44.2	41.1	10 – 20
India	76	29.1	28.8	10.9	< 5

Source: Data from UNDP (2014)[152]

The percentage of seats in Parliament occupied by women is particularly low in the BRICSAMIT.[153] Likewise, less than 5% of high-level management positions are occupied by women in Russia and India, while only one woman enters the list of 50 wealthiest Indonesians. Thus, although there have been advances towards greater gender equality – especially in terms of health and to a lesser degree education – vast disparities continue to exist between women and their male peers in the realms of income, labour-market participation and positions of political and economic power.

CRIME AND UNEQUAL OPPORTUNITIES FOR YOUTH

The BRICSAMIT countries, particularly Russia and South Africa, have some of the highest incarceration rates in the world.[154] The group most affected by this policing strategy is that of young economically disadvantaged males from ethnic minorities, which populate the overcrowded prisons. In India, marginalized groups such as Dalits, Adivasis and Muslims are significantly overrepresented in the prison populations.[155] This form of repression is combined with high impunity levels: in Mexico in 2013, 98% of murder cases remained unresolved.[156] Such deficient and skewed political-judicial systems create inequalities before the law, which increase exposure to violence and crime for particular, vulnerable groups.[157]

With the exception of Indonesia, all of the BRICSAMIT countries display high homicide rates by international standards. Brazil and Mexico (together with Colombia and Venezuela, representing about 5% of the global population), account for one-quarter of worldwide homicides.[158] But these deaths are not equally distributed across their populations. In Brazil, murder is now the leading cause of death for young men.[159] A strong economic bias means that the vast majority of violence takes place on just a few street corners in a given city, at certain times of the day, and among specific people. The discriminatory remnants of ethnic division and colonialism mean that, in the case of Brazil, those segments of the population most affected are young black males.[160] Driven by rapid unregulated urbanization, a youth bulge in growing cities and weak policing, justice systems and penal institutions, income and social inequality give rise to above-average rates of violent crime and the resultant victim patterns.[161]

Children are particularly vulnerable. According to UNICEF, in 1994 there were 11 million street children in India, a number that is likely to have increased significantly since then.[162] Additionally, in 2001, the government registered about 12 million working children between 5-14 years old, although unofficial estimates put the number as high as 60 million.[163] Those children belonging to the Dalit, Adivasis or Muslim minorities are particularly vulnerable to the impacts of poverty on social exclusion (see Box 5).

BOX 5: SOCIAL EXCLUSION IN INDIA

Alongside income inequality, unequal and exclusionary treatment of specific groups is widespread in India (as in many other countries), where state institutions, policies and laws – both in their design and functioning – tend to mirror, produce and reproduce discrimination and exploitation based on gender, caste, class, religion and disability. For access to such diverse public goods as education, urban housing, decent work in labour markets and legal justice in relation to anti-terror legislation, it is the same groups that are most severely and consistently excluded – namely women, Muslims and persons with disabilities, and people from 'scheduled groups' such as Dalits and Adivasis. An individual, household or group combining several of the characteristics that are discriminated against is likely to experience deeper exclusion.

Housing conditions provide an example of this exclusionary treatment: 78% to 88% of female-headed households that belong to one of the marginalized groups do not have a latrine, compared to 53% of all households nationally. Access to housing finance has clear exclusions along religious, caste and class lines, and it is common to find a preference for male tenants in low-income settlements in India. These and other exclusionary practices leave women highly vulnerable to exploitation, abuse and violence, and largely coincide with general discriminatory attitudes and practices towards women, as well as their lower social status.

The exclusionary nature of law and justice in India clearly manifests itself in the overrepresentation of marginalized groups in its prison population, particularly of under-trial prisoners who are yet to be convicted for their alleged crime. While making up 38.6 % of the total population, Dalits, Adivasis and Muslims together account for 53.5% of the convicted prison population and 56.7% of the under-trial prison population.

Traditional patterns of social discrimination along the lines of caste, gender, religion and tribes go hand in hand with income inequality. Poverty rates are 14% higher among Dalits compared to non-scheduled groups. Moreover, the 2.7% average annual poverty reduction falls to 2.1% for the Dalits while for Muslims in urban areas it is only 1.8%, suggesting that these inequalities are growing wider – particularly when regional disparities are taken into account.

Even in comparison with other vulnerable groups, data on the situation of Muslims is stark. In 2009-10, only 30.4% of Muslim workers in urban areas received regular salaries compared to 39.7% of the total population, and their working conditions were generally much worse than those of other regular workers, including Dalits and Adivasis. The only group that displays even lower paid employment levels are persons with disabilities, of whom only 26.3% were engaged in gainful economic activities. This number decreases to 10.4% for disabled women, and falls as low as 5.6% for mentally disabled persons.

Based on such data, the India Exclusion Report 2013-14 concludes that the consistent exclusion of these communities from just and equitable access to diverse public goods 'suggests that both in their design and functioning state institutions, policies and laws tend to mirror, produce and reproduce discrimination and exploitation based on gender, caste, class, religion and disability'.

Sources: Mander 2014 and Dubochet 2013[164]

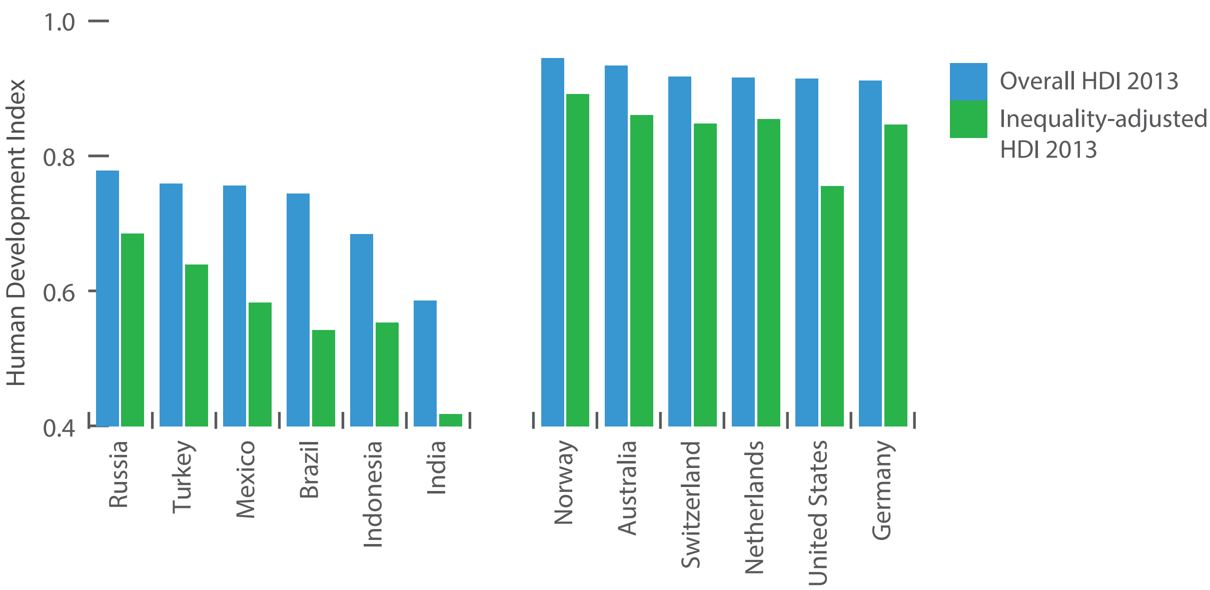
The accumulation of these social inequalities in vulnerable groups implies a likely intergenerational transmission of underprivileged positions, where the wealthy both earn higher incomes and enjoy greater health and education levels. Poor parents, on the other hand, cannot afford to send their children to expensive private schools, increasing their likelihood of working in informal sector jobs with less health protection, and continuously low incomes to pass on to their children, and so forth. Neglecting future prospects of large parts of youth in this way seems like the chronicle of a disaster foretold in a context where close to 30% of the population is under 15 years old.[165,166] This impediment to social mobility means that cycles of inequality perpetuation are created, where the drivers of disadvantage simultaneously become its consequences.

INEQUALITY UNDERMINES DEVELOPMENT

In sum, the persistent and reproducing inequalities in the BRICSAMIT countries are based on income and wealth differences and run along gender, ethnic, geographical, historical-institutional and generational divides. The list of their drivers and consequences is long: differences in exposure to environmental hazards; threats of violence and repression; unequal access to resources including healthcare, social protection and education. The two-tier health and education systems – whereby the rich can afford expensive private schools and hospitals while the poor have to rely on under-equipped public versions – further increase vulnerability for those who are already underprivileged. The high crime rates and elevated levels of impunity, particularly in Russia, Brazil, and Mexico, signify additional risks to health and limit the opportunities for future catching up. Compensation by public transfer programmes, where it exists, is insufficient to overcome the deep chasm, both regionally and along the lines of gender and ethnic divides. The vast informal sectors signify a lack of job and hence income security, which inhibits especially poor people from making longer-term plans and appropriate investments; it also creates barriers to employment and career progression for women. In other words: inequality permeates all areas of life.

The combination of high informality and inadequate state provision in health, education and social protection mean that, within the BRICSAMIT countries, inequalities play a more significant role for societal well-being than they do for more developed countries. This is clearly shown when we compare the gap between HDI and its inequality-adjusted version.[167] The BRICSAMIT countries' score in terms of human development decreases on average by 21%, compared to 8.4% in the top-scoring countries (Figure 10), meaning that inequality in the former has a stronger negative effect on the indicator's three dimensions – health, education and income.

FIGURE 10: **INEQUALITY-ADJUSTED HUMAN DEVELOPMENT INDEX FOR THE BRICSAMIT COUNTRIES AND THE DEVELOPED COUNTRIES**



Source: Data from UNDP (2014)[168]

5. FIRST STEPS TO ADDRESS INEQUALITY IN THE BRICSAMIT COUNTRIES

The shifts in income and wealth distribution of the BRICSAMIT countries in the past three decades point to the importance of local conditions for inequality outcomes. Besides the highly unequally distributed accumulation and flow of financial resources across population groups, social inequalities – for instance in health and education – are also vast. Such inequalities are both cause and consequence of a set of power inequalities embedded in the respective historical-institutional environments of the BRICSAMIT countries.

These multiple and overlapping inequalities hinder the utilization of the full *potential* of a society. Economic development in terms of economic growth remains below its potential level in a context of inadequate investment and elite blockage of innovative policies. Extremely limited access to affordable and quality education decreases economic prospects on the personal and societal level, and limits the potential of social emancipation. Two-tier health systems that keep large parts of the population at health levels below the country's potential are likely to become a drag on public finances, as well as limiting individual capabilities. Income differences imply both differences in social status and in the ability to shape one's future, for instance because pension systems are precarious for those who cannot afford private pension schemes during working age. Thus, the development of personal capabilities is severely hampered for large parts of the population that are less free to pursue their own life aspirations.

Lack of social cohesion and societal malfunctions in highly unequal societies also include the erosion of trust. This further strains quality of life: if people start feeling uncomfortable around their peers, in their neighbourhood, with their fellow humans, because they fear or despise, envy or pity them, or because insecure and often violent environments around them lead them to assume the worst of strangers – how will they live comfortably and happily, even if they happen to be so lucky as to be at the high end of the income distribution?

One of the reasons why it is so difficult to significantly ameliorate inequalities is that high income and wealth inequality obstruct egalitarian policy making where the elite is predominantly engaged in extractive sectors. These industries offer a large potential for rent-seeking. Since they are central to the countries' development strategies, they also grant important political leverage.

Yet it *is* possible to break the vicious cycle of inequality that is perpetuated by repressive and exclusionary processes, and instead create a virtuous cycle of egalitarian and inclusive policy making as a precondition for tackling the root causes of inequality. Below are five areas for governments to include in their concerted strategy to fight inequalities and achieve more prosperous, equal societies – both mitigating the consequences of current inequality, and preventing new inequalities from arising.

CONCLUSIONS AND WAYS FORWARD

1 Re-frame the economic development model, and ensure that public interest, protection of human rights and reduction of inequality forms the core of the developmental agenda. This applies both within the BRICSAMIT countries but also in terms of the investment and cooperation model these countries are increasingly engaged in overseas, particularly in low-income countries.

In light of the spectacular disparities outlined in this report, policy answers to date have been rather timid. The bias towards growth, and the perception of inequality as a necessary by-product of the development process that would in time decrease naturally, have contributed to the limited response to inequality. All along, the assumption has been that for a country to overcome its development challenges, the willingness to accept an initial increase in inequality was necessary, following the logic that it first needs to get worse before it can get better.

The belief in a supposed efficiency-equality trade-off, where increases in growth are assumed to be necessarily associated with decreases in equality, is only slowly abating. The way development is currently pursued in the BRICSAMIT countries, via economic models based largely on resource extraction and rent-seeking is inherently unequalizing, and more emphasis needs to be placed on *who gains from growth*. Moving away from growth as the primary objective, at all costs, and prioritizing instead the public good and well-being of society constitutes an important step in reducing inequality. The old economic model must be replaced with a new one, where equality forms the core of the developmental agenda. Some leaders, for instance in Indonesia and Brazil, have started to embrace the objective of decreasing inequality. The space for civil society and academia to participate in framing such discourse is opening.

2 Reform the regulatory environment, particularly around transparency in government. There is a need for measures that restrict conflict of interest; to decouple business from campaign financing; cooling periods to close revolving doors between big business and government; and binding disclosure of personal gains and contributors – as well as the proper enforcement of these regulations.

A narrow elite is able to influence election outcomes in many of the BRICSAMIT countries through a variety of strategies, including campaign finance, rent-seeking, high mobility and constant shifting between positions of political and economic influence, i.e. revolving door strategies, etc. Therefore, to change distributional patterns requires consideration of both the legal framework and the rule of law in a just manner. Unless these institutions are changed, policies targeting inequality will continue to address the *consequences* of inequality rather than its root causes, and will thus remain palliative. These root causes can only be altered by changing the framework. As Porter (2015) summarizes: 'subsidies, tax treatment, legal protection and other mechanisms conspire to aid the wealthy while often serving to damp economic gains'.[169] It is widely recognized that these regulations ultimately stem from historical and socio-cultural conventions. But that they can indeed be altered has been shown, e.g. with the recent change in electoral regulations to accommodate independent candidates in Mexico[170] and a possible ban on corporate election finance on the horizon in Brazil. This certainly proves that the perceived 'iron grip' of an extractive elite can be eased.

What is needed are programmes restricting conflict of interest; delinking business from campaign financing (for instance through provision of public funds for campaigns, as practised in South Africa); cooling periods to close revolving doors in both directions, i.e. from and to decision-making positions in business and politics; and binding disclosure of personal gains and contributors – as well as the proper enforcement of these regulations.

One example of an interesting measure towards accountability is the 2014 creation of the National Transparency Institute (IFAI) in Mexico, which has the power to demand disclosure of information on the public's behalf. Although it remains to be seen how effective this will be in terms of increasing transparency and empowering citizens, it is an important step towards establishing accountability mechanisms.

3 Achieve a fair pre-distribution of incomes through formalizing informal jobs, raising minimum wages, creating employment and increasing the bargaining power of workers.

Achieving an increasingly equitable and inclusive society will only be possible if and when *pre-distributive policies*, i.e. those measures that correct the so-called market distribution, including, most importantly, labour policies, and *redistributive policies*, such as progressive taxation and transfers, are applied in parallel. The recent decades' weakening of unions, the proliferation of trade agreements that prioritize the interests of corporations over workers' rights, the tightening of intellectual property rights and the rise of finance, as well as a consolidation of strategic industry reducing competition across the economy, constitute some examples of negative pre-distribution policies that fail to protect the majority of citizens, who lack the economic affluence necessary to benefit from such regulation. These policies have weakened the bargaining power of workers, while entrenching a legal framework with rules that lock in inequality.[171] Hence the reversal of these policies, which have been widespread and popular over recent decades, could yield some significant advances. Raising the minimum wage, improving labour protection through measures such as formalizing jobs, and government-investment policies for the creation of jobs are all examples of how pre-distribution policies could lead to a positive result on income distribution.

Such an approach has been successfully implemented in Brazil, which has accelerated its two-decade-old revaluation strategy of minimum wages over the past five years. In a countercyclical manner, the strategy to boost domestic consumption saw regular adjustments of the minimum wage level to inflation plus GDP growth.[172] This improved inequality levels 'from below' by increasing gains for those at the bottom of the income distribution. However, this contrasts sharply with the case of Mexico, where minimum wage levels lie below the poverty line, with a real-terms value that is 70% below their 1980 level.[173]

4 Achieve redistribution and strengthen tax systems by filling loopholes for tax evasion and aggressive tax planning; increasing top income-tax levels; and revising tax incentives for large corporations. Recognize the problem of rapidly increasing wealth inequality, and thus apply a high-threshold wealth tax in the form of inheritance tax or a tax on capital gains. Such a tax would have considerable redistributive impacts, as well as fill the public accounts, which in turn provide resources for more effective social policies and provision of public services.

Application of redistributive policies, together with a regulatory environment that prevents political and economic capture by small interest groups, a stronger bargaining position of workers, and following an overall developmental objective of equality, could be very effective in curbing inequalities. Currently, the tax systems in the BRICSAMIT countries play a smaller role in easing market-driven inequalities than they could. Besides the tax structure and the discussion on its degree of progressivity, their fiscal policies deliver only modest redistribution.

Fiscal policies are infested with evasion and administrative bottlenecks due to high levels of unregistered self-employment and informal sectors that limit the capacity of tax authorities to verify taxpayers' declared income. In India, where tax evasion has allegedly become a 'national sport', an estimated INR800 billion (US$12bn) is lost every year because of corporate tax incentives,[174] and up to an estimated US$2 trillion of illicit money – more than India's GDP – is stored abroad.[175] Thus, the BRICSAMIT countries' tax systems could improve the income distribution, for instance through filling loopholes for tax evasion and elusion; increasing top income-tax levels and making the tax structure more progressive; and revising tax incentives for foreign investors and corporations.

Additionally, in view of the particular problem of rapidly increasing wealth inequality, the application of a high-threshold wealth tax, in the form of inheritance tax or a tax on capital gains (currently voluntary in India), could have considerable redistributive impacts. All of these would have the beneficial side-effect that not only do they improve the distribution from above, but also fill the public accounts. This provides resources for more progressive social policies and, importantly, protects the state from capture by narrow interest groups through decreasing its resource dependence. Conveniently, it would also improve registers of wealth held, thereby potentially helping to curb illegal outflows of capital.

Currently, coverage and generosity of social protection systems in the BRICSAMIT countries are low compared to OECD countries: social spending is highest in Brazil and Russia, where it represents about three-quarters of the OECD average, while China and India have three to four times lower levels than OECD average.[176] The combination of weak transfer systems and tax regimes that are not very progressive - where the income distribution after fiscal policies have been applied barely changes compared to the market outcome - is an area of significant opportunity for redistribution in the BRICSAMIT countries.

5 Ameliorate the symptoms via inclusive social policy. In order to enhance well-being across society and to reduce inequality, ensure there are more concerted efforts to provide public healthcare, education and social protection, allowing access for everybody, particularly those who have been excluded in the past.

Finally, the consequences of inequalities can be dealt with more effectively if a functioning tax system is in place, since it provides resources to be distributed. Active redistribution via a progressive tax system allows for a more generous transfer system towards the provision of public goods for everybody. Universal access to unconditional transfers should be the aim to mitigate remaining market inequalities. Public healthcare, social protection and education must ensure access for everybody, to enable citizens' full participation in public life and a level playing field, i.e. equality of opportunity. Basic income proposals, as are discussed in many developed countries, and most recently enshrined in law in Finland, can ensure a safety net for all citizens also in the BRICSAMIT countries. Such a scheme would also finally end extreme poverty.

In sum, the countries must ensure a more concerted strategy than that which is currently employed, taking advantage of future growth to benefit the well-being of larger parts of their populations, alongside more active equality-enhancing policies. The BRICSAMIT countries have used several of the policies outlined to varying degrees. Yet a sustainable pro-equality strategy would require a comprehensive set of policies combining measures from all five of these dimensions. Considering their different approaches and partial coverage of selective policy areas, the BRICSAMIT countries can benefit a great deal from incorporating their peers' policies into their own set of strategies.

Moreover, civil society – as an important stakeholder in the debate on curbing extreme inequality – can be a strong ally for progressing towards more inclusive and sustainable societies. Civil society brings the vital first-hand perspectives of people who experience poverty and marginalization, as well as analysis of policy responses, and knowledge of what works and what does not work in terms of reducing inequality.

Porter emphasizes that 'the power of money in politics should never be underestimated'.[177] But institutions can be changed and do change. Therefore, if something is really to be done about inequality, this is where it must be approached. So far, the BRICSAMIT countries, although aiming to challenge the 'old global order', are following a similar economic logic. Although they have enshrined equal rights for all in their constitutions, the concentration of power and wealth in the hands of the few seems rather stable for the time being. But it can – and should – be challenged by the countries' citizens. This could be the historical moment where they break with the current economic complacency, and together start on a new, more equal path, towards empowerment of the many.

NOTES

1 This 'natural trajectory' of inequality dynamics, first formulated by economist Simon Kuznets in the 1950s, seemed to fit the empirical patterns observed in the developed countries' distributions then.

2 The World Bank puts Brazilian per capita income at purchasing power parity at I$16,155 and its Gini at 52.7 (World Bank 2015; World Development Indicators. [online] Available at: http://data.worldbank.org/data-catalog/world-development-indicators [Last accessed 9 June 2015]). Germany had a per capita income of I$16,273 (PPP) in 1977 (Public Purpose (2000): http://www.publicpurpose.com/lm-ppp60+.htm Last accessed: 09.06.2015.) when its Gini was 24.7 (Atkinson, A.B. and S. Morelli (2014). 'The Chartbook of Economic Inequality'. http://www.chartbookofeconomicinequality.com/inequality-by-country/germany/ Last accessed: 07.08.2015.).

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4 Forbes (2015). 'The World's Billionaires' Available at http://www.forbes.com/billionaires/ last accessed 20.11.2015

5 120th of 136 countries according to the annual report by the World Economic Forum (2013): 'The Global Gender Gap Report 2013' http://www3.weforum.org/docs/WEF_GenderGap_Report_2013.pdf .

6 Esquivel, G. (2015). 'Desigualdad Extrema en México. Concentración del Poder Económico y Político', http://cambialasreglas.org/images/desigualdadextrema_informe.pdf. Last accessed: 07.08.2015.

7 For research covering many decades using data from e.g. the World Bank, OECD, WIDER, World Top Income Database, and/or regional databases like SEDLAC, Eurostat, etc. See, for instance, Piketty (2014) 'Capital in the 21st Century', Atkinson (2015), Palma, J.G. (2011). 'Homogeneous Middles vs. Heterogeneous Tails, and the End of the "Inverted-U": the Share of the Rich is what it's all about'. Development and Change, 42(1).

8 World Bank (2015), op. cit.

9 Pew Research Center (2013). 'Inequality and Economic Mobility', chapter 5 in Economies of Emerging Markets Better Rated During Difficult Times, http://www.pewglobal.org/2013/05/23/chapter-3-inequality-and-economic-mobility/. Last accessed: 09.06.2015.

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12 IMF asserts negative effects of inequality on growth (IMF (2015a). 'Causes and Consequences of Income Inequality: A Global Perspective', https://www.imf.org/external/pubs/ft/sdn/2015/sdn1513.pdf. Last accessed: 09.06.2015.); OECD estimates that inequality cost its member countries 4.7% of cumulative growth between 1990 and 2010 (OECD (2015b). 'In It Together. Why Less Inequality Benefits All.' http://www.oecd.org/els/soc/OECD2015-In-It-Together-Chapter1-Overview-Inequality.pdf. Last accessed: 09.06.2015.), reaching 10% for Mexico (Esquivel, G. (2015). Op. cit.).

13 World Bank (2015). Op cit.

14 Bourguignon, F. (2015). The Globalization of Inequality. Princeton University Press: Princeton (US).

15 ILO (2015). Global Wage Report Collection. Available at www.ilo.org/ilostat. Last accessed 15.08.2015

16 OECD (2014). 'Focus on Top Incomes and Taxation in OECD Countries: Was the Crisis a Game Changer?', http://www.oecd.org/els/soc/OECD2014-FocusOnTopIncomes.pdf . Last accessed: 01.08.2014.

17 CONEVAL (2015). CONEVAL informa de los resultados de la medición de pobreza 2014, http://www.eluniversal.com.mx/articulo/nacion/sociedad/2015/07/24/crece-pobreza-en-mexico-hay-dos-millones-mas-coneval

18 World Bank (2015). Op. cit.

19 There is discussion about whether basing poverty-reduction achievements on measurements of those living on less than US$1.25 per day is adequate, considering the status of high and medium development countries compared. Indeed in most of the BRICSAMIT countries, the cost of living, particularly in cities, is comparable to high-income countries in Europe or North America, whereas poverty in the EU, for instance, is measured as 60% of national median income rather than the absolute threshold of extreme poverty.

20 World Bank (2015). Op cit.

21 Krozer, A. And J.C. Moreno-Brid (2014). Inequality in Mexico. World Economics Association 4(5): 4-6

22 Credite Suisse (2014). 'Global Wealth Report 2014', https://publications.credit-suisse.com/tasks/render/file/?fileID=60931FDE-A2D2-F568-B041B58C5EA591A4. Last accessed: August 2015.

23 ILO (2013). 'World of Work Report 2013. Repairing the Economic and Social Fabric', Geneva.

24 The conversion into dollar terms in this paragraph are approximations based on current exchange rates as of August 2015.

25 Milanovic, B. (2014). World Income Distribution Dataset 2008. Available at: http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTPOVRES/0,,contentMDK:23022308~menuPK:8322745~pagePK:64168182~piPK:64168060~theSitePK:477894,00.html Last accessed on 20.10.2015.

26 Milanovic, B. (2015). World Income Distribution 2011 (forthcoming).

27 Forbes (2015). Op. cit.

28 Although probably the most frequently used inequality measure today, the Gini should be complemented by other indicators to get a more nuanced picture of inequality, because it emphasizes changes in the middle of the distribution over those at the ends. The Palma and Palma v.2, which divide the income share of the richest 10% and 5% of the population, respectively, over that of the poorest 40% to explicitly focus on changes in the top and bottom of the distribution, provides complementing insights, besides being more straightforward in its interpretation (for an elaboration on these points, see e.g. Palma 2011, Cobham and Sumner 2013, and Krozer 2015).

29 World Bank (2015). Op cit.

30 See reference 28 above for an explanation of the Palma.

31 A general empirical pattern of the income distribution that Palma (2011) has dubbed the 50-50 rule: the phenomenon of the 50% middle-income earners in deciles 5-9 securing 50% of total income.

32 Milanovic, B. (2014). Op. cit.

33 Milanovic, B. (2015). Op. cit.

34 These numbers are based on household survey data, which significantly understate actual concentration at the top.

35 Milanovic, B. (2014). Op. cit.

36 Milanovic, B. (2015). Op. cit.

37 These numbers are based on tax data, which, although arguably still underreported, are more accurate in estimating top incomes compared to the data obtainable from household surveys used so far. However, they do not provide information on the lower income groups, so cannot at this point substitute household surveys where there is interest in developments at the bottom of the distribution. Besides, such data are not widely available for the emerging countries.

38 Although the richest 1% 'only' owned 8-9% of total incomes according to latest available records in these two countries, these shares are likely to have increased significantly since 1999 and 2004, respectively.

39 Esquivel, G. (2015). Op. cit.

40 World Top Incomes Database (2015). Alvaredo, F., A. B. Atkinson, T. Piketty and E. Saez, Available at: http://topincomes.g-mond.parisschoolofeconomics.eu/ last accessed on 20.11.2015.

41 Kumar, C. (2014). 'Africa Rising? Inequalities and the essential role of fair taxation', http://www.christianaid.org.uk/images/Africa-tax-and-inequality-report-Feb2014.pdf

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43 Higgins, S., N. Lustig, W. Ruble and T. Smeeding (2014). 'Comparing the Incidence of Taxes and Social Spending in Brazil and the United States', http://www.cgdev.org/sites/default/files/comparing-incidence-taxes-social-spending-brazil-us.pdf

44 Indonesia Investments (2015). 'Tax system of Indonesia', http://www.indonesia-investments.com/finance/tax-system/item277

45 OECD (2012). 'Reducing income inequality while boosting economic growth: Can it be done?', chapter 5 in Going For Growth. http://www.oecd.org/eco/growth/49421421.pdf

46 Higgins et. al. (2014). Op. cit.

47 Swift, Z.L. (2006). 'Managing the Effects of Tax Expenditures on National Budgets', World Bank Working Paper Series 3927. https://openknowledge.worldbank.org/bitstream/handle/10986/8449/wps3927.pdf?sequence=1

48 Even for the poorest 10% of the population, they only increase market income by 28%, 10%, and a paltry 0.2%, respectively (Higgins et al. 2014).

49 Higgins et al. (2014). Op. cit.

50 Banning-Lover, R. (2015). 'The bank, the boss, your parents: global borrowing trends mapped', 28 May 2015. http://www.theguardian.com/global-development-professionals-network/2015/may/28/the-bank-the-boss-your-parents-global-borrowing-trends-mapped?CMP=

51 Credite Suisse (2014). Op. cit.

52 Average wealth levels between 2000 and 2014 went from US$2,920 to US$19,590 in Russia; US$5,670 to US$21,330 in China; US$8,400 to US$25,800 in South Africa; US$7,900 to US$23,400 in Brazil. In 2014 they were at US$4,650 in India and US$9,742 in Indonesia. Recently, average wealth in US$-terms has fallen everywhere due to adverse exchange rate movements (Credite Suisse (2014) op. cit.), including China, as of August 2015.

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55 Credite Suisse (2014). Op. cit.

56 Bourguignon, F. (2015). 'The Globalization of Inequality'. Princeton University Press: Princeton (US).

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58 Credite Suisse (2014). Op. cit.

59 Credite Suisse (2014b). Global Wealth Databook 2014. https://publications.credit-suisse.com/tasks/render/file/?fileID=5521F296-D460-2B88-081889DB12817E02. Last accessed:10 November 2015

60 Just as in the case of incomes, the distance between the wealth of the rich and the richer increases the closer one gets to the very top. For instance, the second-to-richest individual in each country often owns less than half of what the top-ranked possesses.

61 Forbes (2015). Op. cit.

62 IMF (2014). World Economic Outlook Database, October 2014. Available at https://www.imf.org (last accessed August 2015).

63 Based on 2015 levels and a six-day working week.

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65 Credite Suisse (2014b). Op. cit.

66 Contrary to the Russian case of sudden combustion of the economic system and sell-out of state assets, which triggered runaway inequality, the whole process is rather more controlled in China, leading to a slower yet steady pace of inequality increments.

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69 GMK-Hurun (2013). 'The Chinese Millionaire Wealth Report 2013', GroupM Knowledge-Hurun, http://up.hurun.net/Humaz/201312/20131218145315550.pdf

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77 El Economista (2015). 'Pemex pagó remolque de plataforma desde Arabia que nunca ocurrió', 23 January 2015, http://eleconomista.com.mx/industrias/2015/01/23/pemex-pago-remolque-plataforma-arabia-que-nunca-ocurrio

78 This threatens not only current distribution, but that of generations to come. For instance, depletion rates in Mexico, Russia or Indonesia amount to 7% of GNI (UNDP 2014).

79 However, the Central Jakarta District Court ruled in March 2015 that privatization of water provision in the city had to be reversed. A consortium of city residents, trade unions and water justice activists sued the city over the initial decision to privatize water resources and the poor service record of the private companies, where water leakage levels after privatization were reported to be as high as 44% (LOC 2015).

80 A degree in marketing from one of the top Mexican private universities costs between MNX586-668,000 (US$34-38,000) (El Semanario (2014). 'Costo de la educación en México y el Mundo – ¿qué conviene más?', 20 June 2014, http://elsemanario.com/59022/costo-de-la-educacion-en-mexico-y-el-mundo-que-conviene-mas/. Last accessed 20.08.2015.

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