

Ranks of the rich, files of the poor

The number of billionaires across the globe may be increasing by the day but a system based on ever-widening gap between them and those living on less than a dollar a day will remain fragile

By Abid Qaiyum Suleri

Every year, the Forbes magazine produces the ranking of the world's richest people. The magazine's editors feel that, during the last two decades of printing the ranking, making a billion has changed a lot from what it used to be. Twenty years ago Forbes found some 140 billionaires across the world. Only three years ago, the number stood at 476. But this year the number of billionaires globally is a record 793, up 102 from last year's. Together they're worth \$2.6 trillion, up 18 per cent since last March. The average net worth of each of these billionaires is \$3.3 billion.

These billionaires, holding 20-22 per cent of the world's total wealth, are only 0.00001 percent of the world's 6.5 billion people. It will be just an overemphasis to say that global wealth distribution is extremely skewed. The world's five richest people have more money than the combined Gross Domestic Product (the value of all goods and services) of the world's 60 poorest nations. The world's richest 225 people have combined assets equal to the combined annual income of the world's 2.5 billion poorest people. According to United Nations Development Program, cost of ending extreme poverty -- \$300 billion -- is less than 2 per cent of the total income of the world's richest 10 per cent people.

While more than 1.5 billion people live on less than one dollar a day and two billion more are only marginally better off, the much talked of link between trade, development and poverty-reduction (TDP) is gaining added significance. How can the widening gulf between the few super-rich and billions of super poor be bridged? Can it be done through increased trade and growing economic activity. In other words, do trade and economic growth take care of development and poverty reduction? Many, including Prime Minister Shaukat Aziz, believe they do. Though in doing so they will certainly produce some losers in the short run but in the long run trade liberalisation and economic growth will alleviate poverty, is how their argument goes.

It, therefore, comes as no surprise that public policies are tailored to facilitate economic growth and freer trade. But it's equally unsurprising that more often than not these policies help millionaires turn billionaires, leaving the poor and the marginalised even more so. The World Bank's anti-poverty prescription -- poverty reduction strategy paper (PRSP) -- plays an

important role in promoting these policies. Those who have titled Pakistan's PRSP as 'Accelerating Economic Growth and Reducing Poverty' have only made the link all too obvious.

I feel trade reforms do not automatically or necessarily result in poverty reduction. For trade reforms to reduce poverty, it is necessary that macroeconomic policies -- including trade reforms -- are accompanied by complementary and compensatory microeconomic policies with a view to introduce and strengthen social safety nets. This will create resilience among trade liberalisation's assumed losers who are often left to fend for themselves as a result of ostensibly pro-poor interventions.

To me, the real problem starts with the notion of 'pro-poor interventions'. International financial institutes support an absolute pro-poor growth, which means that it will remain pro-poor as long as it is at least of some benefit to the poor. The latest Human Development Report by the United Nations brilliantly puts this growth in a perspective: "...if one dollar is poured in Brazil, then according to the existing wealth distribution pattern, only 15 cents would reach the poor whereas 85 cents would go to the rich and this would still be a pro-poor intervention". Thus to make growth really meaningful for the poor, it has to be relative -- that is, it has to be positively biased towards the poor and the marginalised, clearly favouring them over the rich.

Though there are many initiatives focusing on poverty reduction through enhanced economic growth, lack of policy cohesiveness is killing almost all of them. Lack of coordination among donors, among donors and recipients and among recipients themselves is a major factor affecting policy cohesiveness. As a result, many of these initiatives have turned into stand alone activities which do not bring any real change.

But there is much more to these policies than just the lack of coordination and cohesiveness. For instance, absence of democratic participation by all stakeholders including the targeted sections of population, non-consultative and non-transparent policy formulation mechanism, and a predilection for quick fixes in most of the developing countries are some of the other factors -- which not only widen the gap between various TDP initiatives, but also favour the rich and the well off over the poor and the marginalised.

Experts at Forbes are of the opinion that most of the billionaire on their list earned heir fortune through hard work and business wisdom. They claim: "Strong stock markets around the world (the United States being the notable exception) contributed to this surge in wealth. India, whose BSE SENSEX market was up 54 per cent in the past 12 months, is home to 10 new billionaires, more than any other country besides the US."

That the second biggest increase in the number of billionaires happened in India comes as no surprise. I strongly feel that -- especially in countries like India and by extension Pakistan -- more than hard work and business wisdom, it's flawed public policies heavily in favour of those 'who have' over those 'who do not have' that should be credited with making the rich even richer and turning the poor further poor.

Here is how it happens. Our service delivery system favours the rich, our infrastructure is developed to cater to the needs of the already privileged, our lending institutes lend money to those who can prove that they are not in need of money, our taxation system offers tax holidays to big investors, big loans worth millions of rupees can be written off with a little push of the political pen but defaulters of small loans are sent behind bars. Even our educational and health systems (the backbones of any living society) also favor those who can afford to pay.

Without adding a human dimension to economic growth, the linkage between trade, development and poverty reduction cannot be realised. Before that can happen, the rich list will keep growing and today's 793 billionaires will be far outnumbered by those with as much money in the coming years, with an increasingly large number of them coming from countries where millions of people are condemned to life of perpetual poverty and misery.

There is one caveat, though. Even if the number of the super-rich keeps on increasing at an astounding rate, it will remain a very tiny fraction of the total population of the world. It's here that the frailty of this system becomes all the more obvious and susceptible to challenges by the marginalised multitude. Anything can happen if, for instance, all those gathering for World Social Forum in Karachi become somehow convinced that they have in them what it takes to bring down this system, run by the few, for the few. My guess can be as good as anybody else's about the likelihood and success of this ever taking place.