Inequality is not inevitable, it’s a policy choice. For proof, look at Namibia

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Don’t despair that the huge gaps between rich and poor cannot ever be bridged. As our new index shows, some countries are taking steps to reduce inequality

Windhoek, Namibia: since independence, the country’s poverty rate has been reduced from 53% to 23%. Photograph: Duncan Willetts/Sportsphoto/Allstar

When you hear eye-watering statistics like the fact that eight men own the same amount of wealth as the bottom half of humanity, the first reaction is often shock and anger. For many people, this is accompanied by a feeling of despair that such huge divides cannot be bridged; that the inequality crisis we face, which keeps millions of people trapped in poverty, is simply too big for us to change.

This sense of fatalism is fuelled by arguments that current levels of inequality are due to the seemingly immutable forces of globalisation or technological change. These are undoubtedly powerful trends, of course – but they are in no way the full story. Inequality is not inevitable. It is a policy choice.

For proof, look at Namibia. Here is a country that inherited the highest levels of inequality in Africa when it gained independence from apartheid-era South Africa in 1990. Yet the Namibian government has since managed to systematically reduce the gap between rich and poor, more than halving the poverty rate from 53% to 23%.

A key factor has been its investment in education: Namibia has the world’s second-highest percentage of overall budget spent on education, enabling it to provide free secondary school to all students. It also spends a greater proportion of its budget on health than Finland, and has reduced annual malaria cases by 97% in a decade, almost eradicating the disease there.

Of course, more remains to be done: Namibia’s tax system needs improving, and its minimum wage is inadequate. Nevertheless, it is clearly demonstrating a serious commitment to reducing inequality.

Other countries are also using policy tools to buck the inequality trend, with surprising results. Zimbabwe spends the world’s highest percentage of overall budget on education, above even Namibia – a commitment recognised by Unesco as having a positive impact on children there.

Zimbabwe spends the highest percentage of its budget on education of all 152 countries in the CRI index. Photograph: Tsvangirayi Mukwazhi/AP

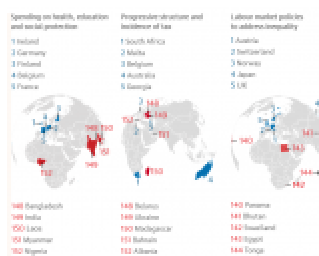
Malawi has one of the world's most progressive tax systems, helping to ensure that those who can afford it support those who can't (although it could do far more to ensure the full collection of that tax). Developing Mongolia, meanwhile, treats its workers and trade unions better than developed Portugal, which has significant restrictions on collective bargaining.

Sadly, such positive cases are the exception, not the rule. Three-quarters of governments are doing less than half what the best-performing countries in the world, such as Sweden, are doing.

That's why our new Commitment to Reducing Inequality (CRI) index(produced by research experts Development Finance International with Oxfam) aims to show how government policies really can help to shape more – or less – equal societies and economies.

It focuses on key policies that are shown to reduce inequality, including progressive spending on things like schools and hospitals, taxing the better-off more than the poorest, and paying workers a living wage. The index then compares what governments across the world are doing to tackle inequality.

Countries were ranked in three key policy areas which have a significant impact on inequality



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Nigeria, which scores worst of all 152 countries ranked in the index, is deeply unequal. Despite great oil wealth, it is failing to collect sufficient tax and its spending on education and health is shamefully low, which is reflected in very poor social outcomes. More than 10 million children in Nigeria do not go to school, and one in 10 children do not reach their fifth birthday.

Yet as Namibia shows, it's not how rich a country is that determines its place in the index. One in four of the top 50 countries are either low or middle income. Although rich countries tend to come nearer the top, this is not always the case: in wealthy Bahrain, for example, zero personal income tax and zero corporation tax contribute to its very low score.

India fares badly too, despite having one of the world's fastest-growing economies. Government spending on health, education and social protection is woefully low. The tax structure looks

reasonably good on paper – but in practice, much of the progressive tax is not collected. Most workers are employed in the agricultural and informal sectors, which lack union organisation. Indeed, Oxfam calculated that if India were to reduce inequality by a third, more than 170 million people would escape poverty there.

Despite winning the overall number one spot, Sweden actually comes 120th in the indicator for tax structures, because it has a relatively low corporate tax rate and one of the highest VAT rates. High VAT is regarded as unfair because the poor – who are least able to afford it – end up paying a proportionally greater share of their income. Conversely, corporate tax contributes to a fairer society as it is disproportionately paid by the richest.

This pattern is repeated in many rich nations, which have in recent years undermined the progressive nature of their tax systems. They are reducing taxes on big business while increasing taxes on consumers – these policy choices are going in the wrong direction.

As Oxfam and DFI issue annual updates of the CRI index, we will be closely tracking public policy to see how governments are performing. Argentina, for example, has a strong track record in reducing inequality over the last 10 years. Nevertheless, it is very likely that Argentina's high score will fall in future, because of recent government moves to cut education spending and increase tax breaks for the rich.

We intend this first edition of the index to be a "beta" version. Many experts have provided input, but we are keen to receive feedback to develop the index to its full potential. We recognise it has some limitations – for example, we were unable to factor in whether countries operate as tax havens, effectively depriving other governments of valuable revenue. These are issues we hope to address in future.

Above all, we seek to start a debate about what governments should be doing more of to reduce inequality – while providing a tool that helps everyone hold their leaders to account.

Over time, the CRI index will track just how serious countries are about closing the dangerous divide between the richest and the rest of society – by building fairer economies designed to support the best interests of all their citizens, rather than those of the privileged few.

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