39. BRICS and global inequality

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The original aim of the BRICS was to overturn inequality in international relations. They have been associated with breakthroughs in development finance without political conditions, and with increased shares of world trade. However, patterns of domestic inequality persist within the BRICS. This contribution asks whether the BRICS can be domestic models for the rest of the world, developed and developing. It explores patterns of inequality in each BRICS, and whether the BRICS elites contribute through capital transfer and trade to global domestic inequality. It concludes that the world can learn from the BRICS about how to tackle domestic inequalities.

The BRICS countries (Brazil, Russia, India, China and South Africa) matter for the future of global inequality. Together, they account for a huge proportion of the Earth's population and geographical space. Inequality and equality within the BRICS are therefore of global significance. The nature of economic growth within the BRICS nations has a significant impact on changes in inequality within other countries, both rich and poor.

They matter too because they are committed to challenging inequality among nations, having been drawn together by a shared sense of marginalization in the existing global architecture and a desire to advance what Russian foreign minister Sergei Lavrov described as 'a new polycentric system of international relations' (BBC, 2015). They also matter because their efforts to respond to their own domestic inequality challenges are an increasingly important source of innovation to which other countries can look for inspiration. Understanding how the BRICS will influence the different dimensions of inequality in future requires us to pay attention to the political economy of these processes, or in other words 'the politics of who gets what, when and how' as Harold Lasswell (1936) famously defined it. Any study of the prospects for global equity needs to pay serious attention to the political economy of the BRICS and to the forces likely to influence their domestic policies and international cooperation strategies.

The BRICS are highly heterogeneous in size, global economic impact, state resilience and domains of influence, and have very different 'inequality regimes' (Boyer, 2015). Their economic choices affect regions within and beyond the BRICS nations.

For example, falling Chinese commodity demand has had a severe effect on the economies of Brazil, Russia and South Africa, including their patterns of income distribution. As these three members of the BRICS group wrestle with complex domestic structural and political impediments, India and particularly China are likely to be the primary engines of growth among BRICS members.

The BRICS affect the wider global economy through their influence on the supply of and demand for commodities, goods and services, with different implications for inequality in richer and poorer countries. In the West, this influence has helped to intensify the established pattern of concentration of wealth through competition and accumulation (with the most successful accumulating more and more, and the weaker falling further behind), and most recently through societal dominance by finance capital. Indeed China, the largest BRICS economy, may have added to the dominance of finance in the West by encouraging its deindustrialization. This process has also driven down wage levels for relatively unskilled workers in the West. In future the BRICS (especially India) may play an increasing part in the technology-enabled erosion of the labour market for skilled workers. These processes have important political economy dimensions: the surplus invested by China in US Treasury bonds is taken out of the pockets of the general Chinese population and contributes to the running of the USA on credit instead of on taxes on the elites. What part does Indian, Russian, Brazilian or South African capital exported to the West contribute to the political dynamics that support the concentration of wealth in the West?

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In recent years, the BRICS have reduced inequality among nations by driving economic growth through trade and investment in poorer regions of the world. In 2012 they collectively invested over US$6 billion in Africa, against US$3.7 billion invested by the United States (ActionAid, 2014). They have had contradictory effects on inequality in poorer countries, stimulating industrialization as well as commodity production, and generating jobs for many poor people at the same time as providing national elites with new opportunities for accumulation. They have helped to shift the balance of world trade, with South–South flows now playing a much more central role in global trade patterns. This effect is likely to persist despite the slowdown that several BRICS countries are currently experiencing.

Geopolitical shifts partly reflect those in the global economy. The BRICS have long had aspirations to challenge the global structural inequalities between the West and the Rest. A movement led by India and China, followed by many developing countries, ensured that there was always a 'third voice' that argued for a more equitable distribution of power, through the Non-Aligned Movement and then the G-77. This voice was maintained even in the 1990s when dominant narratives maintained that the collapse of the bipolar international system ensured the hegemonic status of a US-imposed collaborative framework. As the Asian Tigers, and then the BRICS, expanded their economic influence, they claimed a more equitable share in international economic policy-making institutions. The BRICS have greater leverage for negotiating their interests, which sometimes coincide with the interests of the global South as a whole. But their position is ambivalent and they may also align with the North through structures like the G-20, raising fears that they may be co-opted by the established powers.

However, and at a purely geopolitical level, increasing tensions between the USA on one side and China and Russia on the other, over the Ukraine and Crimea and over the South and East China Sea respectively, have led the USA to return to the pattern of 'alliances of democracies', especially in East Asia and Eastern Europe. These inevitably affect how the world sees the Russian and Chinese models of development.

But there is no doubt that the BRICS are increasingly influential over economics, trade and finance. India's objections to the global inequalities provoked by Western agricultural policies stopped the WTO in its tracks, albeit temporarily.

There are contradictions between the BRICS, and each member of the grouping has mostly wielded its influence individually, but their cooperation in global financial negotiations is growing, and they are building new collective institutions which may enable them to move forward with a shared global development agenda.

The BRICS' efforts to challenge the inequalities of today's international financial system include the creation of the BRICS' New Development Bank (NDB) and Contingent Reserve Arrangement (CRA), and the Chinese-led Asian Infrastructure Investment Bank (AIIB). The AIIB and the NDB offer loans without policy conditionalities, promising to change the institutional landscape of development finance. The BRICS proclaim a model of development assistance that is demand-driven, unconditional and horizontal; which combines grants, capacity-building and lines of credit for trade and business; and which gives more choices to the least developed countries. This approach has influenced OECD Development Assistance Committee (DAC) thinking on the future of aid and changed broader narratives on development.

However, the question that still needs to be confronted directly is whether the concept of a combination of states capable of steering their populations to greater welfare and equality is contradicted by the reality of a globally cohesive mega-rich class, whether state-based or in the private sector, which manages the global system to its own collective advantage, and not to that of the wider ethnic or national groups of which its members are a part culturally.

Across the BRICS, patterns of wealth inequality are converging as the proportion of the world's super-rich who are based in these countries continues to grow. However, patterns of income inequality across the BRICS vary widely, reflecting different drivers such as the Indian caste system, the role of the elites in China in monopolizing wealth, and the continuing significance of race in South Africa. Brazil is the only member of the grouping to have achieved a sustained fall in income inequality in recent years, but that was from a very high base, and Brazil remains more unequal than all the other BRICS except South Africa. In India income inequality has grown steadily from a low base, while in China it grew rapidly before beginning to moderate in recent years.

Despite these differences, the BRICS all face similar challenges in coping with the tensions that inequality presents for their political legitimacy, in sustaining political support for their development strategies and in ensuring that their populations benefit from development. This pressure has functioned as a powerful driver for innovation to meet at least some of the needs of most social groups. This driver is likely to persist, and we anticipate the emergence of new forms of organization to address rapidly changing patterns of inequality.

As the influence of the BRICS on the structure of global labour markets grows, many countries are likely to be torn over how to converge towards their social and economic models, given the split within the BRICS around the issues of democracy and civil liberties. It is true that the evolution of the political economy of these societies, and of the theories and practices they evolve for addressing inequalities, are likely to become increasingly important in all parts of the world. They are also likely to affect debates about global governance. However, these debates will be polarized because of the contrasting domestic images of the BRICS. This makes it especially important to establish a common language for understanding the options for addressing inequality.

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