G20 Wealth Inequality: Action or Apathy?

Alicia Sier-Acinas
University of Sheffield

Executive Summary

The G20 has the ability to influence the activities of the world's largest and leading economies through its unique membership which represents 85% of global GDP, 75% of world trade, and 67% of the global population. It is thus uniquely positioned to tackle wealth inequality and to mobilise coordinated international action by encouraging member states to collaborate, mirror policies, share best practices, and implement reforms that smaller forums or individual countries can not achieve independently. This is particularly important because wealth inequality poses a significant threat to global stability and social cohesion.

However, the G20's effectiveness in addressing major social issues like wealth inequality can be limited. Diverging national interests among member states often hinder consensus, slowing the implementation of coordinated actions. Additionally, the G20 lacks binding enforcement mechanisms, making it reliant on voluntary commitments that are not always fulfilled. This dynamic, along with the informal nature of the G20, can result in ambitious declarations that fail to translate into concrete outcomes, particularly in areas where political will is uneven or where economic policies are deeply entrenched in domestic priorities.To overcome these limitations, the G20 must prioritise sustained collaboration and adopt a unified multilateral approach, enabling it to effectively tackle the global challenge of wealth inequality and foster long-term economic stability.

Why does Inequality matter?

Brazil, under President Lula, has been widely recognized for its successful efforts in reducing social inequality through initiatives like 'Bolsa Família' that has demonstrated success in reducing poverty and malnutrition, achieving a 40% decrease in poverty between 2022 and 2023. These achievements offer valuable insights for the G20 in fostering inclusive economic policies. If movements advocating for wealth redistribution, such as the 'tax the rich' policy, gain traction in countries like South Africa and Argentina, they could serve as a mechanism to generate funding for similar policies in struggling nations.

This focus on Argentina and South Africa during Brazil's hosting of the G20 is important. All three countries, despite their membership in the G20, face significant wealth inequality affecting large portions of their populations. South Africa, about to take over the presidency of the G20 and host the next summit in late 2025, is widely regarded as the most unequal country in the world and continues to grapple with a deeply entrenched wealth gap, exacerbating social instability.

Similarly, Argentina is undergoing one of its most severe economic crises, with a widening wealth divide that further undermines social cohesion, and underlines a broader movement that questions Argentina's presence in the G20 itself, symbolised by a tense encounter between Lula and Mieli at the Summit. These two nations highlight the G20's glaring inefficiencies in addressing systemic issues such as unequal access to education, unfair labour markets, and inadequate social protections—failures that continue to restrict opportunities for success. The persistent challenges faced by these member states highlight the urgent need for a more effective and targeted multilateral approach that can be led by a state that has been effective in challenging these systemic issues.

Addressing these structural inequalities ensures that marginalised groups can actively participate in, and benefit from, economic progress. This type of approach not only enhances equity but also strengthens economic resilience and long-term stability which aligns with the G20's commitment to shared prosperity. The Rio de Janeiro Summit is therefore an opportunity for leaders to evaluate how international and domestic financing initiatives can drive inclusive economic growth. This is a critical moment: will the G20 choose action or apathy?

Is Brazil an effective model?

In the words of President Lula himself, 'nothing is more absurd and unacceptable in the 21st century than the persistence of hunger and poverty'. Brazil's flagship program, Bolsa Família, has been instrumental in addressing these issues, benefitting over 20 million families, living in social and economic vulnerability. For more than two decades, the program has supported poverty reduction and social inclusion through education, contributing to a 20% reduction in unemployment and an 8.3% real average income gain.

The program's targeted approach has had a particularly notable impact on reducing extreme poverty, with a 45.2% decline among black women, who have historically been among the most vulnerable populations. Benefits are tailored to address critical needs, including an additional BRL150 per month for children under six and BRL50 for pregnant women, nursing mothers, and children and adolescents aged seven to 18.

Previous G20 Summit decisions, such as the Debt Service Suspension Initiative (DSSI), were introduced to ease financial burdens for low-income countries. While the initiative provided temporary relief by suspending debt payments its limitations became evident, particularly the prolonged and inefficient restructuring processes that followed. These challenges underscore the need for a more comprehensive approach to debt relief—not simply debt standstills—that ensures faster and more effective support for countries in need, many of whom are tiny or poorer states that bear little responsibility for climate-induced shocks but suffer their worst consequences.

Programs like Bolsa Família showcase how freed-up resources can directly benefit vulnerable populations, including black women and children, by addressing critical needs and fostering inclusivity. By enhancing past G20 frameworks and extending debt relief to middle-income countries, nations can more effectively combat wealth inequality and invest in equitable social development.

Despite these achievements, challenges persist. Children born in Brazil today are expected to achieve only 55% of their potential, due to significant gaps in access to quality education and healthcare. When factoring in adult unemployment, this figure drops to just 33%. Inequalities remain stark, Afro-Brazilians and Indigenous peoples have less access to high-quality schools and healthcare compared to whites and women face persistent job discrimination that limits their economic status. In an aim to mitigate these disparities, Brazilian policies like extending tax incentives for the Manaus Free-Trade Zone (ZFM) and the Western Amazon until 2073 have been aimed at attracting business, stimulating job creation, and fostering technological innovation in historically underserved regions, thus promoting industrial growth and employment opportunities while addressing the economic isolation of the Western Amazon.

In response to these structural issues, in July 2023, Brazil's Congress approved a historic tax reform, introducing a dual VAT system that aims to replace five existing taxes. This reform has the potential to make Brazil's tax system more progressive, which could help reduce inequality. However, key decisions still need to be made, impacting the purchasing power of families. Recent reforms introduced by President Lula seek to tackle Brazil's deep-seated income inequality by implementing higher tax rates for top earners, with rates reaching up to 40%, and reinstating taxes on dividends. However, Brazil's tax system still faces significant challenges. The inheritance tax, for instance, is relatively low, capped at 8% and inconsistently applied across states. These systemic gaps allow the wealthiest Brazilians to benefit from a lower effective tax rate compared to middle- and lower-income groups, exacerbating the country's already stark economic disparities.

Inequality in Argentina: can something be learnt from Brazil?

Argentina's ongoing economic crisis has deepened existing inequalities exacerbated by prolonged economic volatility with inflation reaching an alarming 289.4% in 2024. This dramatic rise has driven up the cost of basic necessities and healthcare, leaving many households unable to make ends meet, with basic food prices rising by 100–360% within the first seven months of the year. The minimum wage, set at ARS202,800 in March 2024, falls drastically short of covering the basic cost of living, placing millions under severe financial strain.

The situation has been further exacerbated by the leadership of Javier Milei, whose austerity measures and reductions in public spending, aligned with his self-described 'anarcho-capitalist' agenda, have intensified the crisis. These policies have led to a sharp rise in poverty, with experts describing the resulting inequality as 'absolutely horrendous'. The gap between incomes and living costs has left 57% of children in poverty, many of whom face malnutrition due to reduced meal portions or diets lacking vital nutrients that are vital for a child's cognitive development. Healthcare access has significantly deteriorated, with a 146% surge in medicine prices leading to a 20% drop in the purchase of medications for chronic illnesses.

Despite the incorporation of social programs like The Argentina Works Program (Programa Argentina Trabaja) that focuses on vulnerable populations through job training and income support. The issue of efficiency has been raised,as some argue that this initiative does not always adequately prepare individuals for long-term sustainable employment and not always equip participants with the necessary skills needed for broader economic integration.

A comparison with Brazil's Bolsa Família shows how targeted initiatives, such as additional payments for families with young children can reduce child poverty and improve educational opportunities. The program's conditional cash transfers incentivize school attendance, leading to higher enrollment rates and better long-term educational outcomes, especially for marginalised children.

As of 2023, 58.4% of children aged 0-14 were classified as living in poverty and 18.9% in extreme poverty. Strategies aimed at addressing inequality, such as investing in human capital, focus on improving education, skills, and health to enhance individuals' productivity and economic opportunities. By building human capital, countries can foster long-term economic growth and social mobility have failed to yield corresponding productivity gains. Today, Argentina's children only reach 60% of their potential productivity by age 18 due to persistent issues on health, nutrition, and education.

These challenges underscore the urgent need for coordinated and effective G20 action to support Argentina through enacting policies of targeted financial aid, investment in social safety nets, and the promotion of inclusive economic policies aimed at mitigating the crisis and fostering sustainable growth that have been tried and tested in Brazil.

Despite extensive coverage through cash transfer programs for pensions and family allowances—benefiting 7.7 million pensioners and 9.5 million children—Argentina's measures have proven insufficient in addressing the sharp decline in household incomes, which fell by 41% between 2016 and 2023. This underscores the limitations of cash transfers as a standalone solution in the absence of broader structural reforms, drawing a stark contrast to the successes of Brazil's Bolsa Família program under Lula, which effectively reduced poverty and malnutrition. Examining Argentina's challenges in this context highlights the urgent need for integrated approaches that combine income support with initiatives to strengthen labour markets that offer economic status and opportunity, a high quality education, and healthcare systems.

Challenges ahead for South Africa's G20 Presidency?

South Africa, as the incoming president of the G20 and next year's host country, has committed to advancing social inclusion and addressing poverty. President Cyril Ramaphosa's statement at the Rio de Janeiro Summit that 'we must urgently redouble efforts to eliminate poverty and hunger' emphasised the urgency of eradicating hunger, advancing gender equality, and tackling the intertwined crises of climate change, biodiversity loss, and environmental degradation. While these commitments are crucial, South Africa's ongoing challenges in tackling extreme inequality, despite significant efforts, raise questions about the feasibility of these ambitious goals.

In 2024, the socio-economic challenges faced by South African children remain dire, with 23% of children living in severe child food poverty. These children are 50% more likely to suffer from life-threatening malnutrition, which affects brain development, hinders their ability to learn, and contributes to long-term developmental challenges. As UNICEF states, South Africa is one of 20 countries that accounts for 65% of all children living in severe child food poverty globally.

The impact of these disparities has been compounded by the effects of the COVID-19 pandemic, growing economic inequalities, rising costs and global conflicts. UNICEF has called for urgent action to transform food systems, leverage health systems, and enact legislation to regulate the food industry to combat these issues.

South Africa's socio-economic landscape remains deeply unequal, with the top 0.1% of the population owning 25% of the country's wealth, while the majority of South Africans continue to face significant disparities in economic opportunity. Despite numerous efforts to address these inequalities, the legacy of apartheid continues to limit economic opportunities for many, exacerbating the divide between the country's wealthy elite and the majority of its population. This persistent wealth disparity underscores the ongoing challenge of achieving economic equity in South Africa.

A significant challenge is the limited mobility within South Africa's socio-economic system. A high proportion of the population remains trapped in chronic poverty, with little hope for upward mobility in the short or long term. Factors such as unemployment—currently at 34.9%—and the mismatch between available jobs and the skills of the workforce limit the opportunities for many disadvantaged households, particularly those in urban areas, to generate income. This issue aligns with the G20's broader commitment to addressing Africa's infrastructure and development needs, exemplified by initiatives like the G20 Compact with Africa, which encourages reforms to attract investment and improve macroeconomic frameworks

As the incoming host of the G20 South Africa has a unique opportunity to leverage its leadership to address both the immediate needs and systemic drivers of inequality within its borders by building on the experience of its fellow member and 2024 host, Brazil. To effectively reduce poverty and inequality, South Africa needs to implement comprehensive policy reforms, focusing on strengthening social protection systems, investing in education and skills development, and fostering inclusive economic growth. By aligning these domestic priorities with the G20's broader goals of sustainable development and poverty reduction, South Africa can secure international support and resources to amplify its efforts, ensuring that the cycle of inequality is broken and that long-term, equitable progress is achieved.

Does Rio have the solution?

Brazil's proposal for a 2% wealth tax on individuals with assets exceeding US$1 billion has sparked considerable international interest. Economist Gabriel Zucman estimates that the tax could generate US$200-$250 billion annually, highlighting its technical feasibility and emphasising its potential achievability through sustained international collaboration.

This initiative represents a significant step in ongoing global tax reform discussions, complementing advancements such as the global minimum tax on multinational corporations and enhanced bank information exchanges already championed within the G20 framework. The key challenge lies in ensuring that these funds are directed toward combating hunger and poverty.

The fact that the G20 has formally acknowledged and promoted a policy to tax the ultra-wealthy is unprecedented with Lula declaring at the Summit that he will 'seek to engage cooperatively to ensure that ultra-high-net-worth individuals are effectively taxed'. Adding to the encouragement from Spanish foreign minister Carlos Cuerpo who said the G20 should 'be brave' and impose minimum tax on the world's billionaires. This marks a significant shift in global policy discussions, as such commitments have never before been made at this level.

The revenue generated from taxing ultra-high-net-worth individuals has the potential to enhance public spending, foster inclusivity, and address systemic inequalities. However, for this initiative to succeed, further steps are vital. Greater acknowledgment and mobilisation are needed to ensure the policy gains traction and is implemented effectively. Establishing a global framework with widespread consensus among nations will be essential for the equitable application of such a tax.

However, a proposed tax rate of 2% may fall short of effectively tackling inequality at the scale required. This raises questions about the sufficiency of the measure and highlights the need for robust mechanisms to ensure meaningful redistribution. In a context where countries like South Africa are directly impacted, this initiative challenges entrenched power dynamics and there will be expected push back.

The way forward

Establishing a global framework with widespread consensus among nations is critical to ensuring the equitable application of a wealth tax as a mechanism to address extreme inequality. However, a proposed 2% tax rate may prove insufficient to achieve the scale of redistribution required.

Analysis from Oxfam suggests that maintaining billionaire wealth at constant levels over the past two decades would have necessitated an annual net wealth tax of over 8%, rising to 12.8% for the last five years.

These figures emphasise the importance of not only generating revenue through measures like wealth taxes but also ensuring that these funds are used effectively to tackle systemic barriers. In Argentina, wealth tax revenues could alleviate poverty, yet persistent challenges like weak policy implementation and institutional inefficiencies hinder their potential. Similarly, in South Africa, high unemployment and a skills mismatch highlight the need for targeted reforms that align fiscal policies with broader socio-economic goals. Brazil's success with Bolsa Família shows that having the resources is just the first step—policy learning, targeted reforms, and robust implementation are crucial to translate funding into meaningful outcomes.

What this means in practice is that a number of specific initiatives could push such an agenda forward:

First, Fair and Proportional Taxation of the Wealthy through the G20 Platform. Here, G20 governments should adopt progressive tax systems that ensure the wealthiest individuals and corporations contribute a fair share to public finances by closing tax loopholes, taxing individuals proportionally based on their income, and requiring multinational corporations to pay taxes aligned with their earnings.

Second, a stronger enabling environment for social initiatives. Increased revenue from the taxation of the ultra wealthy should be directed into funding central services and social programmes, particularly benefiting marginalised populations, such as Indigenous groups. These social initiatives should be specifically centred on benefitting on uplifting historically underserved communities through education and infrastructure in remote areas.

Alicia Sier-Acinas is a BA Sociology with Social Policy student in the Department of Sociological Studies at the University of Sheffield.