
How to mobilise \$2.8 trillion to
prevent life-threatening deprivation,
reverse austerity measures,
and mitigate the human impacts
of climate change

Financing the global sharing economy

Executive summary

Download full report at
www.stwr.org/financing-the-global-sharing-economy

First published in the United Kingdom by
Share The World's Resources, September 2012

STWR is a not for profit organisation registered
in England, no.4854864

Registered office

New Bridge Street House,
30-34 New Bridge Street,
London EC4V 6BJ

ISBN 978-1-907121-08-1 (Print)
ISBN 978-1-907121-09-8 (Electronic)

This work is published under a Creative Commons
www.creativecommons.org/licenses/by-nc-nd/2.0/uk

You are free to copy, display or distribute original
content for non-commercial use provided that you:

- Attribute the author and cite Share The World's
Resources as the original source
- Include a link to the unique URL
- Do not alter, transform or add to the material

Design

Studio Blackburn
www.studioblackburn.com

Printed on recycled paper

**Share
The World's Resources**



Summary

Humanity is facing a global emergency. Extreme poverty and climate-related disasters are taking the lives of over 40,000 people every single day and severely affecting many millions of others. At the same time, dramatic cutbacks in public spending on social welfare and essential services are making it increasingly difficult for many families to meet their basic needs, even in the richest nations.

This global emergency exists largely because governments have pursued policies over many decades that undermine the ‘sharing economy’ – systems of welfare and redistribution that have been progressively established to protect the poor and vulnerable. In particular, the international community could do much more to scale up sharing between nations in order to help developing countries meet the basic needs of their citizens and strengthen domestic systems of social protection.

Dealing with the structural causes of the global emergency will require wholesale reform of the world economy on a scale never before attempted. As an immediate response, the international community has the means to mobilise staggering amounts of finance to end poverty-related deaths and needless suffering as a foremost priority. If taken together, the policy recommendations in this report could enable governments to redistribute more than **\$2.8 trillion** within a short number of years, money that could be used to prevent life-threatening deprivation, reverse austerity measures and mitigate the human impacts of climate change.

We already have the institutions, mechanisms and expertise in place to take this crucial first step towards world rehabilitation. What lacks is a sufficient level of public support across the world to overcome the political and commercial barriers to implementing these critical measures. Mobilising world public opinion to strengthen and scale up the global sharing economy must therefore be an immediate priority for campaigners and engaged citizens in all countries.

The principle of sharing has always formed the basis of human relationships in societies across the world. Contrary to the common misconception that people are individualistic and selfish by nature, a growing body of evidence demonstrates that human beings are naturally predisposed to cooperate and share in order to maximise our chances of survival and collective wellbeing.¹

In recent years, sharing has re-asserted itself in the economic and political fields through such developments as open-source software, the ‘collaborative consumption’ movement and the renewed focus on ‘the commons’. Yet one of the most important expressions of sharing today often goes unacknowledged. Arguably, modern systems of social welfare are the most advanced forms of sharing ever established, and the vast majority of people in developed countries are instrumental to their proper functioning.

Systems of welfare are essentially complex ‘sharing economies’ that exist in a variety of forms throughout the world. Through the process of progressive taxation and redistribution, we share a portion of the nation’s financial resources (personal income and assets, as well as company profits) for the benefit of society as a whole. In most developed countries, governments redistribute a large proportion of tax revenue to ensure that the wider population can access healthcare, education and other important forms of social security.

However, the process of establishing and strengthening the sharing economy is still in its infancy in some parts of the world. Many low-income countries do not have the resources they need to build effective systems for redistributing wealth and income through taxation and the provision of public services. In many cases, developing countries suffer many additional social, environmental and financial problems that hinder their economic development. Furthermore, a lack of generosity and the self-interest of donor countries has severely compromised existing systems of overseas aid—currently one of the only mechanisms used by rich industrialised nations to finance the global sharing economy.² These realities point to the urgent need for scaling up sharing *between* countries as well as within them.

Undermining the sharing economy

Rather than strengthening and scaling up the sharing economy on a national and global basis, for decades governments have pursued policies that undermine systems of social welfare and exacerbate poverty and inequality. Since the 1980s, governments have increasingly rolled back those policies that share the proceeds of growth more fairly across society, in favour of promoting unregulated wealth creation by the few. Today, the very basis of the sharing economy is being further eroded in countries where austerity measures are dramatically reducing public spending on social welfare and essential services.

Neglecting policies that redistribute income and wealth in a world that is already highly unequal has resulted in what can only be described as a global emergency. For example, poverty rates across OECD countries have been rising for a decade and took a sharp turn for the worse after the global financial crisis of 2008.³ In poorer countries, just under a billion people are officially classified as hungry while almost half of the developing

world population is trying to survive on less than \$2 a day.⁴ At the same time, 300 million people are currently affected by global warming and 300,000 people lose their lives every year as a result.⁵ Altogether, around 15 million people die every year largely due to a lack of access to nutritious food, basic healthcare services, or clean water for drinking and sanitation—equivalent to more than 40,000 preventable deaths every single day.⁶

The underlying causes of many of the most urgent problems facing humanity are complex and addressing them will necessitate extensive reforms to the institutions and policies that underpin the global economy—a task that is widely considered the defining challenge of our times. In this process of world rehabilitation, almost every aspect of society will need to be restructured—from the way we extract, produce, distribute and consume resources, to the influence that multinational corporations wield over society and policymaking. But humanity cannot afford to wait for these transformative changes to take place. We urgently need to take a bold step towards saving lives and ending extreme deprivation today—and as this report demonstrates, doing so is eminently affordable.

Box 1:

What is the sharing economy?

The sharing economy is a broad term used in this report that encompasses the many systems of sharing and redistribution that exist locally, nationally and globally—whether facilitated by individuals, states or other institutions. It is concerned with the social, economic, environmental, political and spiritual benefits of sharing both material and non-material resources—everything from time and knowledge to money and natural resources.

In comparison, the global sharing economy refers specifically to systems of sharing and redistribution that are international or global in nature—whether facilitated directly by people, organisations and governments or by global institutions like the United Nations. It refers to the many methods by which the international community can share their financial, technical, natural and other resources for the common good of all people. The global sharing economy is still in its infancy, but is nonetheless an important expression of the growing sense of solidarity and unity between people and nations.

Mobilising the world's financial resources

This report demonstrates how governments could harness more than enough money to strengthen sharing economies across the world in order to reverse policies of economic austerity, prevent life-threatening deprivation and mitigate the human impacts of climate change. By utilising the policy options summarised below, governments could mobilise over **\$2.8 trillion** every year to bolster the sharing economy both within and between nations.

The structures, mechanisms and expertise needed to utilise this additional finance have long been in place. For example, there are numerous international agencies working ceaselessly to provide disaster relief and prevent poverty-related deaths throughout the world. The international community has already established an array of funds and other programs to facilitate climate change adaptation and mitigation programs in developing countries.⁷ In terms of social protection, many developing countries already have various systems of welfare in place to provide essential public services to their citizens, and it could be possible to ensure that a basic level of social protection is available to the world's poor for as little as 2% of global GDP.⁸

Making better use of existing institutions and available finance also makes sound economic sense at a time when economies across the world are contracting and unemployment is rising. Reinforcing the global sharing economy could save countless lives and enable millions of people in the Global South to contribute to the social, economic, political and cultural life of their nation. Reversing austerity measures would also have a significant impact on economies by increasing the health, wellbeing and disposable income of citizens in these economically advanced regions. In an interdependent world where trade and financial relationships span the globe, this massive investment in human lives could stimulate demand, create employment opportunities and substantially increase government revenues.

Many European governments understood the need to scale up the sharing economy after the Second World War when they brought in a comprehensive package of social welfare policies despite levels of national debt that surpassed those of today. President Roosevelt introduced similar commitments in the US during the country's most severe economic depression as part of the New Deal series of economic programs between 1933 and 1936. In 1948, the US went on to kick-start a massive transfer of financial resources to a number of European countries as part of the Marshall Plan, designed to aid reconstruction and economic recovery in those nations devastated by war. Instead of further eroding these landmark commitments to share financial resources in ways that benefit the wider community at home and abroad, it is high time we scaled up the sharing economy at every level of society.

Box 2:

The small cost of saving lives

- Lifting 1.4bn people above the \$1.25 a day extreme poverty line: \$173bn per year⁹
- Central Emergency Response Fund (CERF) shortfall for 2011: \$45m¹⁰
- The total cost of meeting the MDG financing gap for every low-income country: \$143bn in 2010.¹¹
- World Food Program shortfall for 2011: \$141m¹²
- Providing vaccines for all infants in poor countries: \$3bn¹³
- Financing the Global Climate Fund: \$100bn per year¹⁴
- Providing basic social protection to all people living in extreme poverty: \$1.26tn¹⁵

Overcoming the barriers to progress

Implementing the measures highlighted in this report could yield major gains for humanity and mark a tremendous leap forward for the international community, paving the way for more substantial reforms that must urgently follow. If we have the money, the institutions and technical knowledge needed to ameliorate the worst effects of the global emergency—and it makes sound economic sense to do so—why do we continue to neglect and undermine the sharing economy on both national and international levels?

These questions are rarely put to policymakers, and there is a stark lack of public debate about the extent of the global humanitarian emergency and how easily life-threatening deprivation could be prevented if we prioritised doing so. When pressed on these issues, elected officials often claim that their governments have simply run out of money to safeguard their own citizens, let alone help those living abroad. This lack of ambition and political inertia has many complex causes, including the dominance of a purely market-based approach to addressing the world's problems among policymakers, economists and business leaders. For too long, governments have pursued an economic

model that overemphasises the private sector and free markets, thereby undermining the sharing economy by placing profit and growth before the welfare of all people and the environment.

In light of this political reality, implementing even modest proposals such as closing tax havens, diverting perverse subsidies or reducing military spending will require massive public support. The hope for a better world rests with the participation of the global public in a call for reform that extends beyond national borders. As the widespread mobilisation of people power in 2011 demonstrated, only a united and informed world public opinion is stronger than the private interests that obstruct progressive change from taking place. The responsibility to take a stand falls squarely on the shoulders of ordinary people, not just the usual campaigners and civil society organisations.¹⁶ It is imperative that millions more people recognise what is at stake and take the lead as proponents for change—the wellbeing of planet earth and future generations largely depends on this shift in public consciousness.

Policies to finance the global sharing economy

Parts 1 and 2 of this report describe systems of progressive taxation and social welfare as preeminent examples of sharing economies, and directly relate inequality, poverty and life-threatening deprivation to our failure to share the world's wealth and resources more equitably. These sections illustrate how strengthening and scaling up the sharing economy can save lives, increase bonds of solidarity and reduce inequalities within and between countries. Each of the recommendations presented in part 3—from tax and debt justice to redirecting perverse government subsidies—provide concrete policies that governments can implement in order to finance the global sharing economy.

Many of these policy measures would also be hugely beneficial in their own right by helping to establish a world with less military spending, less national debt, less corporate welfare, a fairer international trade regime, and more progressive and effective forms of taxation. Achieving these long-standing and widely championed goals would be an enormous step in the right direction for the international community, signalling a triumph for millions of people working towards progressive change, and paving the way for more transformative reforms to the world's economic and political systems that must urgently follow.

If public support for all the policies and campaigns in this report continues to grow, the possibility of mobilising public opinion on a global scale and transforming governmental policy fast becomes a reality. For this to occur, everyone reading this report—especially those who are new to these issues—must add their weight to the global call for sharing and justice.

Summary of the 10 policy recommendations

1. Tax financial speculation—\$650bn

Speculation in financial markets is increasingly disconnected from the ‘real’ economy (concerned with actually producing goods and services) and has destabilised economies all over the world. The main beneficiaries of speculation are a minority elite of traders, investment banks, hedge funds and other companies that can reap huge profits from market volatility.

A financial transaction tax (FTT) could help regulate markets by disincentivising the most destabilising trading practices. If implemented globally, an FTT could raise as much as \$650bn a year for governments to tackle poverty, reverse austerity measures and address climate change.¹⁷

This is a campaign that civil society can feasibly win. But with significant opposition to the tax remaining from those within the financial industry and many politicians across North America and Europe, it is imperative that campaigners persist in their demands for an FTT to be implemented globally.

2. End fossil fuel subsidies—\$531bn

The burning of fossil fuels is the main contributor to global warming and is largely responsible for carbon emissions reaching a record high last year. It will be impossible to keep CO₂ emissions to safe levels if governments continue to encourage the overuse of ‘dirty energy’ through the massive subsidies it provides to the producers and consumers of fossil fuels.

Governments could raise up to \$531bn a year if all forms of biofuel and fossil fuel subsidies are progressively phased out by 2020.¹⁸ This colossal sum of money is sufficient to secure universal access to energy, leverage a significant investment in renewables on a global scale, and finance programs that can help countries mitigate and adapt to climate change.

Campaigns to end fossil fuel subsidies have considerable support among the international community, and must remain a key public demand as pressure mounts on governments to take much bolder action in the fight against climate change.

3. Divert military spending—\$434.5bn

Military spending by governments worldwide has risen by more than 50% since 2001, reaching over \$1.7tn in 2011—equivalent to around \$250 annually for each person in the world. As a first step towards reducing armed conflict and war, it is crucial that governments introduce substantial reductions to their military budgets.

Diverting only a quarter of current global military expenditure would free up \$434.5bn annually that could instead be used to save lives, prevent extreme deprivation and strengthen United Nations peacekeeping efforts.

Given the dire threat to world peace posed by poverty, inequality and diminishing natural resources, countries must urgently adopt a new security strategy based on international cooperation and economic sharing in order to address the underlying causes of conflict.

4. Stop tax avoidance—\$349bn

Tax avoidance by wealthy individuals and multinational corporations means governments often miss out on huge amounts of additional public revenue. Facilitated by a global

network of highly secretive tax havens and 'legitimised' by national and international tax rules, tax avoidance is big business.

As a minimum step towards ending all forms of global tax avoidance, clamping down on tax havens and preventing corporate tax abuse could raise more than \$349bn each year.¹⁹ However, preventing illegal tax evasion, strengthening tax systems in the Global South and adopting more progressive taxation policies in rich countries could raise billions more dollars of government revenue each year.

Strengthening tax systems in countries around the world remains the most pragmatic way for nations to share their financial resources more equitably and protect the poor and vulnerable. As the spotlight increasingly falls on tax avoidance and evasion, concerned citizens in all countries must staunchly advocate for international tax justice.

5. Increase international aid—\$297.5bn

Official Development Assistance (ODA) is the main way in which the international community currently finances the global sharing economy. But foreign aid is severely compromised by the self-interest of donor countries and dwarfed by the net flow of money from developing countries to rich industrialised nations.

Although the international aid system is in need of major reform, increasing ODA to 1% of gross national income (GNI) in the short term could raise an additional \$297.5bn per year—a sum much more in line with the urgent needs of developing countries.²⁰

In the longer term, ending poverty will require helping low-income countries to develop their tax and social protection systems, alongside extensive restructuring of the world economy in order to share wealth and power more equally between and within countries.

6. End support for agribusiness—\$187bn

Agricultural subsidies are a foremost example of how governments support an environmentally destructive and socially unjust model of agriculture and trade. Redirecting these perverse subsidies is an urgent priority if the world is serious about addressing the global food crisis, reducing hunger and protecting the environment.

Eliminating inappropriate and wasteful subsidies that are geared to supporting wealthy farmers and powerful agri-corporations could raise \$187bn each year—money that could instead be used to tackle poverty and increase food security in the Global South.²¹

Remaining subsidies should be re-oriented to support small-scale producers and 'agro-ecological' farming practices, in accordance with the principles of food sovereignty. Much wider reforms to the world's food systems are also imperative to address the root causes of the agricultural crisis, including fairer trade rules and other measures that assist the livelihoods of small farmers.

7. Harness IMF resources—\$115.5bn

The powerful influence exerted by the International Monetary Fund (IMF) over economic policy decisions made across the world has earned it a deeply controversial reputation. Many civil society groups and millions of citizens throughout the Global South see the IMF and its market-driven policies as a threat to social and economic justice.

Nonetheless, the Fund has the ability to raise and redistribute vast quantities of additional finance for poverty eradication and climate finance purposes. Expanding the IMF's Special Drawing Rights facility (SDRs) could raise \$100bn annually, and progressively selling off the IMF's substantial gold reserves could raise an additional \$15.5bn over a period of 10 years.²²

Redistributing the IMF's assets could help restore its flagging legitimacy, compensate for its decades of international financial mismanagement, and prepare the way for more extensive reforms to the global economic architecture in the longer term.

8. Tax dirty fuels—\$108bn

Campaigners have long argued that the price of using fossil fuels does not accurately reflect the actual cost of its environmental, social or economic impacts. The artificially low price of burning oil, gas and coal has also encouraged overreliance on them, exacerbated climate change and prevented the development of alternative forms of energy.

Taxing the carbon emissions from fossil fuels could raise \$108bn each year in additional government revenues.²³ The tax would also provide an incentive to use fossil fuels more efficiently, help encourage the transition towards low-carbon energy technology, and raise significant funding for international climate finance.

Various forms of carbon taxes have already been introduced in many countries, and many leading scientists, environmental groups and economists support them as a favourable alternative to highly complex and controversial carbon trading schemes.

9. Cancel unjust debt—\$81bn

Developing countries are indebted to the tune of over \$4tn and spend more than \$1.4bn every day repaying these debts—400% more than they receive in aid. These funds should instead be spent on social welfare and public services that many of these countries urgently need.

Cancelling illegitimate 'dictator debts' alone—currently estimated at \$735bn—could free up \$81bn a year for public spending in developing countries.²⁴

The unconditional cancellation of all unjust and unpayable developing country debts is essential to achieve a more equitable distribution of the world's financial resources. In the longer term, debt cancellation can also contribute towards economic growth in the poorest countries, help reduce their dependence on aid, and enable people rather than international financial institutions to hold their governments to account.

10. Protect import tariffs—\$63.4bn

Income from taxes placed on imported goods is an important source of government revenue for developing countries. However, they are increasingly being forced to reduce these import tariffs as a condition of free trade agreements (FTAs) or in return for financial assistance.

If the current round of world trade negotiations is concluded, poor countries could lose \$63.4bn from reductions in import tariffs—more than four times what they are estimated to gain from increased trade.²⁵ In addition, many FTAs currently being negotiated between rich and poor nations will further reduce tariff revenues for governments throughout the Global South.

Rich nations and global institutions must stop forcing poor countries to adhere to unjust trade rules. Instead, governments must be granted the policy space they need to regulate national economies in accordance with their own development objectives.

Notes

1. For example, see: Jeremy Rifkin, *The Empathic Civilization*, Cambridge: Polity Press, 2009; Michael Tomasello, *Why We Cooperate*, Cambridge: MIT Press, 2009; Frans De Waal, *The Age of Empathy*, New York: Harmony Books, 2009; ABC Science, 'Humans May Be Hardwired to Share', 28th August 2008.
2. See the main report section on 'Increasing international aid' for more information.
3. OECD, *Doing Better for Families*, 27th April 2011.
4. See latest data from the Food and Agricultural Organization of the United Nations (FAO), and the World Bank.
5. Global Humanitarian Forum, *The Anatomy of a Silent Crisis, Human Impact Report: Climate Change*, Geneva: May 2009.
6. Figures based on World Health Organization, *Disease and injury regional estimates, Cause-specific mortality: regional estimates for 2008*, <www.who.int> Note: Only communicable, maternal, perinatal, and nutritional diseases have been considered for this analysis, referred to as 'Group I' causes by the WHO. Ninety six percent of all deaths from these causes occur in low- and middle-income countries and are considered largely preventable.
7. Most notably, international climate change negotiations under the UNFCCC framework led to the launch of the Green Climate Fund in 2011, although there is still uncertainty over how governments will adequately finance its operation by 2020.
8. International Labour Office, 'Can low-income countries afford basic social security?', *Social Security Policy Briefings*, Paper 3, Geneva, 2008.
9. Oxfam, 'Bank bailout could end poverty for 50 years—Oxfam tells G20', Press release, 1st April 2009.
10. BBC News, 'World 'dangerously unprepared' for future disasters', 27th December 2011.
11. UN Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development goals*, New York: 2005, Table 7, p. 57.
12. Maha Mussadaq, 'World Food Programme: 2011-2012 operation facing a shortfall of \$9.3 million', *International Herald Tribune*, 24th January 2011.
13. A report by Bill Gates to G20 leaders, *Innovation With Impact: Financing 21st Century Development*, Executive Summary, Cannes Summit, November 2011, p. 3.
14. UNFCCC, *The Cancun Agreements, Financial, technology and capacity-building support, New long-term funding arrangements*, <cancun.unfccc.int>
15. International Labour Office, 'Can low-income countries afford basic social security?', op cit.
16. Adam Parsons, *When Will Ordinary People Rise Up?, Share The World's Resources*, June 2012.
17. Calculated using a low-rate FTT of 0.01-0.05%, applied differentially to a wide range of transactions.
18. Calculation based on the elimination of producer subsidies (\$100bn) + biofuel subsidies (\$22bn) + the progressive elimination of consumer subsidies by 2020 (\$409bn).
19. Clamping down on the use of tax havens by high-net-worth individuals could raise \$189bn, and preventing multinational corporations from using trade mispricing and false invoicing to artificially boost their profits could secure an additional \$160bn annually for developing countries.
20. Calculations based on OECD Official Development Aid figures for 2011 when donor countries gave a total of \$133.5bn in ODA, equal to 0.31% of combined GNI of DAC member countries. Increasing ODA to 1.0% of GNI (\$430.6bn) would raise an additional \$297.5bn.
21. Eliminating inappropriate and wasteful agricultural subsidies is likely to require steep cuts, in the range of 50% to the current \$374bn spent annually across OECD countries
22. The market value of the IMF's gold (less its historic cost) amounts to \$155.2bn. Note that it could also be possible to raise an additional one-off \$165bn by transferring existing SDRs.
23. A tax of \$25/ton of CO2 emissions applied across all OECD countries could raise \$301bn each year. Making only a quarter of this sum available could raise almost \$75bn each year. A similar tax on emissions from the shipping and aviation industries could raise \$23bn, and a further \$10bn annually could be raised from a ticket levy on international flights (although this is not strictly a carbon tax).
24. In 2010, developing countries paid \$180bn servicing \$1,583bn of debt, which represented 11% of the total value of their debt stock. We therefore estimate that the annual combined savings for developing country governments is 11% of the total amount of debt cancelled. If \$735bn of debt was cancelled, 11% of this amount is \$81bn in potential savings.
25. Note that this figure only relates to industrial goods under the NAMA (Non-Agricultural Market Access) agreement being negotiated in the WTO Doha Round.

Share The World's Resources (STWR) campaigns to strengthen and scale up the sharing economy in all its forms. We advocate for an international program of emergency relief to prevent life-threatening deprivation and end poverty-related deaths as a foremost global priority. We also call for extensive reforms to the world economy to ensure a fairer sharing of wealth, power and resources within and between nations.

Contact details:

Share The World's Resources
PO Box 52662
London N7 8UX
United Kingdom
Phone: +44 (0) 20 7609 3034
Email: info@stwr.org
www.stwr.org

