

CHAPTER 7: SOCIAL INCLUSION

I. The Ethics of Wealth, Poverty and Inequality

Sustainable development targets three broad goals for society: economic development, social inclusion, and environmental sustainability. In most of the world, countries struggle with all three of these goals. Even the high-income countries, which have largely banished extreme poverty, struggle with high and rising inequalities of income, wealth, and power. And of course all countries are vulnerable to the violation of planetary boundaries. Even a country that is an environmental “saint,” taking every measure on its own to protect the environment, will face the onslaught of global environmental crises, from climate change to the loss of biodiversity to ocean acidification.

The goal of social inclusion is unfinished business in almost all parts of the world. Traditional societies in most places developed strong cultural and legal barriers to the equitable participation of women in the economy, so that gender inequalities cast a long shadow still not overcome. Indigenous populations have faced shocking discrimination, sometimes verging on attempts at genocide. Native Americans in the US, First Nations in Canada, Aboriginals in Australia, the Maori in New Zealand, the Orang Asli in Malaysia, the “Scheduled Tribes” in India, all share the distinction of combining indigenous status and massive poverty and exclusion. Discrimination may be based on characteristics of ethnicity, religion, race, gender, caste, or sexual orientation.

In modern economies, class is of course another possible barrier to social inclusion. There are reasons why kids who grow up in poor families can easily find themselves stuck in poverty, in an “inter-generational” poverty trap. Overcoming poverty may require education, working capital, access to health care, and access to social networks (e.g. to land a good job). Those who are born into poor families may be unable to obtain the education, health care, and social networks they need to escape from poverty.

The Ethics of Equality and Rights

When we think about the questions of social exclusion, there are multiple dimensions of moral and ethical choices to face. One set of issues addresses income and wealth inequality. Should society as a whole, through government and social institutions, work to narrow income and wealth inequalities? Are there tradeoffs between income redistribution and growth? For example, if government raises taxes on the rich in order to provide social services to the poor, will the tax-and-redistribution policy lead to lower economic growth, as is sometimes claimed?

A second related (but not identical) issue is the question of economic discrimination, both through legal and cultural channels. Laws in many parts of the world continue to discriminate against some groups in society: women, religious minorities, indigenous groups, gays and lesbians, and others. In most of human history until the 19th and 20th centuries, the legal framework even allowed for slavery. It took a

bloody civil war in the United States to break the back of slavery, and apartheid in South Africa was not ended until 130 years after the US Civil War. In some places human trafficking and slavery continues till today, though generally in illegal processes that are carefully kept hidden from view.

A third dimension of social inclusion involves cultural norms. Sometimes practices are not strictly illegal, but the attitudes in society, such as discrimination against minority groups, are prolonged by cultural and social attitudes. What can and should be done about that? How should we think about the relationship of ethics, culture, and law?

There are many different aspects of values and value systems to explore in order to investigate and promote social inclusion. It is particularly insightful to understand the many schools of thought about these deep questions that have existed throughout history. There are six important ethical approaches to social inclusion to highlight.

The first of these is **Virtue Ethics**. The Buddha, Confucius, and Aristotle are three important exemplars of virtue ethics. The Buddha's influence extends throughout South and East Asia. Confucius has a huge and lasting influence to this day on ethics in China and other parts of Northeast Asia. Aristotle has a long and deep legacy of influence on Western thinking about values, with major influences in Christianity, Judaism, and Islam.

In all three of those great sages' thinking, there is a call on individuals to cultivate a set of attitudes and behaviors appropriate to life in society and to achieve wellbeing. For Aristotle, virtue is the key to *eudaimonia*, which is often translated as a flourishing life. Man is a social animal, said Aristotle, and therefore man has to cultivate the characteristics, attitudes, habits, and behaviors to be a good citizen in the city state (or *polis*), which for Aristotle was the ideal form of political organization. Such virtue requires moderation in all things. Individuals need not starve themselves of worldly goods, but they should not greedily covet them either; rather, individuals should aim for a middle course, in materialism and in other values as well (e.g. steering between cowardice and recklessness).

For Confucius, like Aristotle, individuals should aim at the self-cultivation of virtue. A stable society depends on the virtue of its members. Virtue includes altruism, humaneness towards others, and a disposition to behave properly. The family plays a central role in Confucian thought. Obedience to parents (filial piety) is one of the greatest virtues.

For Buddha the aim of life is to escape from suffering by ridding the mind of illusions. Buddha warned individuals to beware of their cravings for sensory delights and material possessions. These are traps that are bound to disappoint. True happiness is found by training the mind to reject such cravings, and to seek happiness in other ways, especially through compassion towards others and meditation and mindfulness. For Buddha as for Confucius and Aristotle, our material desires are poor guides to our long-term happiness. Compassion, moderation, and mindfulness mark the true path to long-term wellbeing.

Virtue Ethics therefore marks one vital approach to social inclusion. It is based on the idea that human beings have a responsibility to others, and must cultivate their own attitudes and virtues in order to meet those responsibilities. Compassion is the common thread of all of these philosophies: individuals must pay less attention to one's own cravings and more to one's responsibilities towards others. Through that path not only will society thrive, but the compassionate individual will thrive as well.



Figure 7.1. Buddha, Aristotle, Confucius

A second philosophical view arises from the great religions, while we should recognize as well that the religious traditions also draw upon philosophical traditions. The three great monotheistic religions – Judaism, Christianity, and Islam – all champion the Golden Rule: “Do not do to others what you would not want them to do to you.” (This is also a basic principle for Confucius.) The underpinning of this doctrine is a principle of equality, in which all humanity is viewed as equal children of God. The religions preach humility before God, and the need for righteousness in one's behavior towards others as living up to God's plan. Unlike secular ethics, religious ethics are often infused with the promise of eternal happiness and salvation in return for good behavior on Earth.

The major religious traditions bid special attention to the poor. Biblical Judaism includes provisions for releasing the poor from their debts in special “Jubilee” years, and also freeing those held in debt bondage. Jesus's teachings of course pay particular attention to the needs of the poor, notably in his teaching that he who feeds the hungry, clothes the naked, and cares for the sick, in fact serves the Lord: “I tell you, whatever you did for one of the least of these brothers and sisters of mine, you did for me.” In Islam, one of the five pillars of the faith is charity for the poor (Zakat).

A third approach to ethics is called deontological ethics, or “duty ethics.” This approach, epitomized by the great Enlightenment philosopher Immanuel Kant, holds that ethics is a matter of duty to rational principles. Kant argued that ethics means adopting a universal standard of behavior. He famously described this as the Categorical Imperative: that individuals should behave according to those maxims

(rules) that can serve as universal laws. This is a secularized version of the Golden Rule, that individuals should act as they would wish others to act, but it is put more generally, that individuals should act according to those principles that can apply generally.

Philosopher John Rawls offered a modern variant of Kant's categorical imperative in an influential book called *A Theory of Justice* (1971). Rawls suggests that individuals can discover Kantian principles through a special thought experiment. Suppose that you are asked to design the general principles of the society (e.g. for example as libertarian capitalism, or as tax-and-transfer capitalism), but must do so behind a "veil of ignorance," meaning that you do not know what role you will play in the society you are designing. Will you be the billionaire or the starving individual? According to Rawls, you would choose to hedge your bets by ensuring that every member of the society can have a decent life. Rawls goes further by claiming that you would *maximize the condition of the least well-off member of society*, since it may turn out that you will be in that unfortunate position. Other philosophers have disputed Rawls' conclusion, saying that individuals would not be so risk averse as to only consider the situation of the least fortunate member of the society.

A fourth approach to ethics, utilitarianism, is secular rather than religious. Utilitarianism arose near the end of the 18th century and has sustained a continuing impact on policy thinking till today. The founder of utilitarianism was the British political activist and philosopher Jeremy Bentham. Bentham wrote that the goal of society is happiness, and the goal of an ethical system, moral philosophy, and indeed practical politics, should be the greatest happiness for the greatest number of people. Bentham said that society should maximize the "utility" of the people, where utility signifies a psychological state of wellbeing. In utilitarian doctrine, legislators are to investigate how proposed policies will affect the psychological wellbeing of the public, and then to adopt those policies conducive to the greatest good for the greatest number.

Built into utilitarianism is some measure of support for the redistribution of goods across the members of the society. Utilitarianism builds on the idea of the "diminishing marginal utility of income," which holds that the added happiness of an extra \$100 of income is very high for a poor person but very low or even negligible for a rich person. Thus, taxing \$100 from a billionaire and giving the \$100 to a hungry and impoverished individual would only negligibly diminish the utility of the billionaire (if at all) but markedly raise the utility of the hungry person. Since the utilitarian's goal is to maximize overall wellbeing in the society, typically thought of as the *sum* of the utilities of the members of society, the followers of utilitarianism will generally favor such a tax-and-transfer scheme of income redistribution from rich to poor.

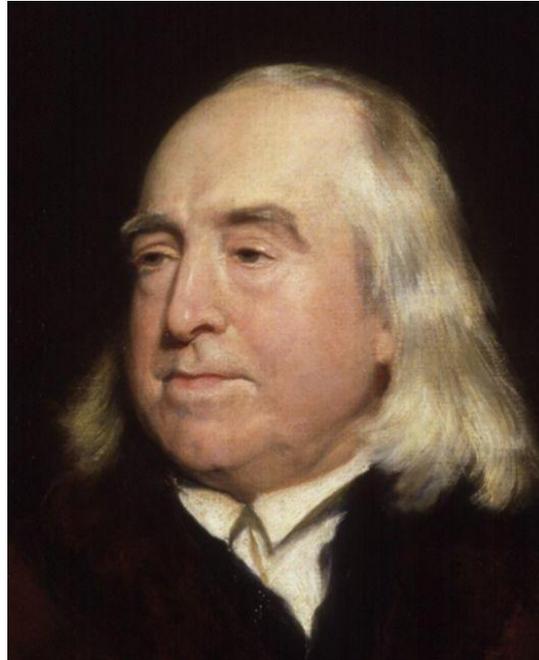


Figure 7.2. Jeremy Bentham

A fifth philosophical approach to social ethics also arose in Britain around the same time as utilitarianism, and goes by the name of libertarianism. This philosophical approach has since become a favorite of part of the right wing of American and British politics. The libertarian position holds that the greatest moral precept is liberty. The meaning of life, in the libertarian view, is the freedom to choose one's own life course. The greatest harm, in this view, is when the state takes away the liberties of individuals. Limited government, which does little more than protect the national borders and provide for the rule of law internally, is viewed as the best form of government. "He who governs least governs best."

A libertarian rejects the utilitarian idea of redistribution through taxation. Taxing a billionaire to provide for a hungry individual, in the libertarian thinking, is an unjustified intrusion into the freedom of the billionaire. The libertarian might urge the billionaire to give the \$100 as charity, but would defend the billionaire's right to choose whether to give. Libertarians therefore view most taxation, other than to pay for the national defense and the justice system, as an illegitimate intrusion on the liberty of the taxpayers.

A sixth philosophical approach, one that is very much part of global culture today, is the human rights philosophy. Human rights offer another justification for social inclusion. The human rights approach, which also has its roots in some religious traditions, holds that every human being on the planet has basic human rights that must be protected by the society, including by government. There are five basic categories of such rights: political, civil, economic, social, and cultural rights.

The fundamental idea is that all human beings have inherent rights simply because they are human beings. That is true not matter what society they happen to be born into, and no matter in which country they are resident. These human rights include not only political and civil rights, but also economic rights, essentially the right to fulfill one's basic material needs. To realize these rights means that societies must organize themselves to protect the individual, whether through tax-and-transfer systems or other means. Note the fundamental difference, for example, with the libertarian idea. The libertarian says that government's only responsibility is to create a framework of law, order and security; it should not redistribute income or property for the benefit of the poor. By contrast, the human rights approach says a poor person has basic rights to health, to education, to means of livelihood; and so society must be organized, perhaps through taxation and provision of public services, to help meet those basic needs.

This brief overview helps, I hope, to distinguish these six different ethical approaches. Throughout human history, ethical issues have been considered in these distinctive ways (and others). The great sages thought about our responsibility to be virtuous. The religions call upon us to honor the Golden Rule. Kant taught us to consider the ethical duties that we can derive through rational thought. Rawls built on Kant by asking us to design social institutions behind a "veil of ignorance." Utilitarianism considers our collective responsibility to maximize happiness within the society. Libertarianism emphasizes the dangers of an overreaching government. Finally the human rights paradigm emphasizes the global and legal environments needed to meet basic human standards for every person on the planet, irrespective of the specific political or social system they may live under.

The human rights approach is perhaps the dominant framework today of the international system of nations. It is the one that the member states of the United Nations have signed on to, and it has certain very powerful and attractive aspects to it. It says that we should meet the basic needs of everybody on the planet, or at least strive to meet them as soon as possible. If we are not able to meet all needs today, because of technological or other resource limitations, there should be a "progressive realization" of these human rights, meaning that even under current constraints, the world's governments should continue to take steps towards fully meeting all human rights.

Economists sometimes give another name to basic needs, calling them "merit goods." Merit goods are those goods and services that should be accessible by every individual in society irrespective of their ability to pay (or their identity in terms of race, gender, class, religion, ethnicity, and so on). For example, health and education are both widely judged to be merit goods, because individuals need them and because their universal coverage benefits society at large. Adam Smith, who is generally thought of as a free-market economist, noted that education is a merit good because universal education produces better societal outcomes than education only for a few. Smith wrote the following in Book V of *The Wealth of Nations* (1776):

The State derives no inconsiderable advantage from the people's instruction. The more they are instructed, the less liable they are to the delusions of enthusiasm and superstition, which, among ignorant nations frequently occasion the most dreadful disorders... The expense of the

institutions for education and religious instruction, is likewise, no doubt, beneficial to the whole society, and may, therefore, without injustice, be defrayed by the general contribution of the whole society.

Smith is saying that all of society is advantaged when the population is properly educated. There will be less tendency of the public to follow delusions and superstitions. The benefits in terms of social stability will be large. For this reason, mass education should be paid for by society at large, enough to ensure that every child can be educated, even the children of very poor families. This is one of the earliest and most influential defenses of mass public education.

In addition to education, health care is also widely considered to be a merit good, partly because most of us believe that individuals have a basic right to health, but also because helping people to remain healthy helps the rest of society as well. When a significant part of a population does not have access to medical care, communicable diseases are more likely to spread rapidly throughout the community, indeed throughout the world. Most observers therefore agree that governments should ensure universal health coverage (e.g. of vaccines), in part to control the spread of infectious diseases.

This focus on meeting universal basic needs, especially for health and education, can be justified through the lens of human rights or through the lens of utilitarianism. If it is true that a poorly educated society fosters epidemics of delusion, or that poor health coverage allows for epidemics of disease, then Jeremy Bentham would say that universal education and healthcare is a matter of utilitarian calculus, a way to ensure the greatest good for the greatest number.

Whichever of these approaches the reader finds most compelling (and I personally like many of them), we can be sure that the role of ethical thinking is vital for good public policy. We therefore need to have more discussions, more public awareness, and more debates about these underlying ethical choices, because the goals of sustainable development depend on the ethical positions we adopt.

II. United Nations Declarations, Covenants, & the MDGs

When the United Nations was formed at the end of World War II, one of the first great steps it took after its founding was the adoption by its member states in 1948 of the Universal Declaration of Human Rights (UDHR). This is a remarkable and powerful document, adopted at a time of hope and in the remembrance of the devastation of the war that had just ended. The prevalent idea of the UDHR was that by meeting the basic rights of all people in the world, one could not only ensure their dignity and improve their economic wellbeing, but also help to prevent another global war. The Universal Declaration is, in essence, the moral charter of the United Nations. The UN has a legal charter that defines how the institution functions, which itself is an extremely important document of international law and practice. The Universal Declaration of Human Rights is the moral heart and soul of the United Nations and still offers inspiration and guidance to the world well over half a century after its adoption.

In 1948, the governments of the world agreed to the following in the Universal Declaration of Human Rights:

THE GENERAL ASSEMBLY proclaims THIS UNIVERSAL DECLARATION OF HUMAN RIGHTS as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples of territories under their jurisdiction.

This preamble says that all of the member states should strive to teach, advocate, honor and progressively achieve all of the rights of the declaration itself.

There are many rights in the document, and these demand serious study, but a few are worth highlighting. Article 22 calls for the right to social security; in other words, to a guaranteed income base that maintains human dignity and that allows individuals to meet the most basic human needs of water, shelter, clothing, and so on. Article 23 of the UDHR calls for the right to work and to a livelihood that enables individuals to support themselves and their families. Article 24 calls for the right to rest and leisure, so that one's employer cannot demand work around-the-clock or in burdensome and crushing conditions. Article 25 states that there is a universal right to a standard of living that is adequate for the health and wellbeing of the individual and of their family. The elements of the standard of living include food; clothing; housing; medical care; necessary social services; and the right to security in the event of unemployment, sickness, disability, widowhood, old age, or any other lack of livelihood in uncontrollable circumstances. Additionally, mothers and children are entitled to special care and assistance. Article 26 holds that everyone has a right to education, which shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory, a merit good, and should apply to everyone in the world.

Article 28 holds that, "Everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized." In other words, the Declaration is not meant to be merely a statement of wishes, but also to be a call for a political and social order in which the enumerated rights can be *progressively realized*. This is a key point. One could still be cynical and say the rights are just words on a page that governments do not have to implement. But it really does say more than that, and the effects have been powerful. What the document is saying is that not only do individuals have rights, but individuals collectively, in our nations, and in a grouping of nations at the United Nations, also have the right to a system of government, of taxation, of spending and delivery of services where the declared rights and freedoms can be fully realized.

Coming out of the UDHR were two more detailed international covenants that also helped to implement the Universal Declaration. One is the International Covenant on Civil and Political Rights (ICCPR), and the

other is the International Covenant on Economic, Social and Cultural Rights (ICESCR). These two covenants, adopted in 1966, cover the five main areas of human rights.

The ICCPR focuses on the rights of citizenship and the protection from abuses of the state. Here are a few key points of the civil and political rights defined in the ICCPR. Article 6, for example, holds that the law protects the right to life. Government cannot willfully, and without due process, take a life. Of course, in many countries of the world, capital punishment is illegal and was eliminated long ago. Yet many governments tragically continue to kill their own people with brutality and lawlessness.

Article 7 holds that no one can be subjected to torture. Yet governments have also violated this willfully, and torture still remains a terrible scourge. The United States itself engaged in waterboarding after September 11th. Article 8 holds that no person can be held in slavery. While slavery is illegal throughout the world, there is still human trafficking and people illegally held in slavery. Governments have the responsibility to fight this and to free people who are being held against their will. Article 9 recognizes the right to liberty and security of individuals that governments must not violate. Article 16 recognizes the right of citizenship, defined as the recognition of all persons before the law. Article 18 declares the freedom of thought. Article 24 underscores the protection of children. Article 26 emphasizes the equal protection of the law from discriminatory application.

These rights are not realized to the extent that they ought to be, but they are still widely accepted in principle, and widely championed by human rights advocates around the world. This is a start upon which the full realization of rights can be built.

Companion to the civil and political rights are economic, social and cultural rights, adopted at the same time in a complimentary international covenant. As in the Universal Declaration, Article 6 of the ICESCR recognizes for the right to work. Article 7 recognizes the right to just and favorable conditions of work, decent remuneration, and a safe working environment. Article 8 declares the right of individuals to form and join trade unions. This is obviously a right that is still not accorded to workers in many countries. Article 9 of the ICESCR calls for the right to social security. Article 11 calls for the right to an adequate standard of living, in which basic needs are met.

Article 12 is very interesting and relevant for the Millennium Development Goals and the Sustainable Development Goals. This Article recognizes the right to “the highest attainable standard of physical and mental health.” One cannot grant the right to health per se, because some people may suffer from conditions that are neither preventable nor treatable. Yet one can recognize the right to the highest attainable standard of health. Article 13 calls for the right to education. Article 15 calls for the right to take part in cultural lives.

As with the original Universal Declaration, the International Covenant on Economic, Social and Cultural Rights realizes that the economic, social, and cultural rights will only be realized over time, in part as countries achieve economic growth and sustainable development. The standard is not the immediate realization of all rights but the progressive realization of the rights. Even though these rights are

therefore not achieved at a moment of time, they still stand as a beacon, an inspiration, a standard and a goal.

Most governments subscribe to both of the covenants. The United States did not subscribe to the ICESCR, and it is interesting to note why. While many Americans certainly agree with the ICESCR, the libertarian streak in United States public opinion does not accept the role of the state in meeting economic objectives. The libertarians argue that governments should let markets and individuals transact freely, and that it is not the role of the state to implement an ethical framework beyond that of the protection of the individual and private property. Of course, most other ethical traditions reject this libertarian point of view, and libertarianism is a philosophical tradition mainly popular in the US and a few other countries of Anglo-Saxon heritage (the UK, and also some groups in Canada, Australia, and New Zealand).

In addition to the ICESCR, the UN has also adopted many more *specific* goals around meeting basic needs. The most important of these have been the Millennium Development Goals (MDGs), which were adopted in September 2000. The MDGs also took their inspiration from the Universal Declaration and the international covenants because the goal of the MDGs is to implement the human right to meet basic needs in all major dimensions (income, food, education, jobs, health, and safe living conditions). When the MDGs were launched in September 2000 as part of the Millennium Declaration, the UN member governments agreed that they would “spare no effort to free their fellow men, women and children from the abject and dehumanizing conditions of extreme poverty to which more than a billion are currently subjected.” They committed to making the right to development a reality for everyone and to freeing the entire human race from want. Human rights were therefore at the core of the MDG agenda, and remain at the moral heart of the United Nations and the new era of Sustainable Development Goals.

III. Divided Societies

Social inclusion aims for broad-based prosperity, for eliminating discrimination, for equal protection under the laws, for enabling everybody to meet basic needs, and for high social mobility (meaning that a child born into poverty has the reasonable chance to escape from poverty). Of course, no society achieves uniform equality and nobody would want that. People differ by luck, tastes, and work effort, so naturally these differences show up in variations in economic outcomes as well, such as in income, wealth, and job status. People expect these differences to a reasonable extent. But societies can have differences in economic outcomes far beyond anything that would naturally emerge from the normal range of differences between individuals, luck and circumstance. And when people are not able to look after themselves by dint of nature or circumstance, we also expect (according to most ethical systems) that they will be helped by society to meet their needs with dignity.

Let us consider the evidence on the inequalities of income in different parts of the world. For that we turn to the Gini Coefficient, a statistical measure of income inequality that varies between 0 and 1. A Gini of 0 signifies a society where every person has exactly the same income (that is, complete equality);

a Gini of 1.0 signifies a society where one single individual holds all the income and the rest have none (that is, complete inequality). As we see in Figure 2.5 (chapter 2), there are some notable and systematic differences across the regions of the world in terms of the extent of inequality as measured by the Gini Coefficient. On a whole, with the notable exception of Canada, the Americas are a part of the world with relatively *unequal* incomes, that is, with relatively high Gini Coefficients. Western Europe, by contrast, is a region with relatively equal income distributions, and hence relatively low Gini Coefficients. Northern Europe, especially the Nordic countries (Norway, Sweden, Finland, Denmark, and Iceland), is home to the most equal societies in the world measured by the Gini Coefficient.

There are long histories and legacies that have led to these various degrees of inequality. Consider the case of the Americas (with Canada the exception). Until Christopher Columbus united Europe and the Americas through trade and settlements after 1492, the Americas had been largely isolated from the Old World population. The original Amerindians had arrived around 15,000 years ago over the Bering Land Bridge that connected Asia and North America during the Ice Age (at a time when sea levels were much lower due to vast stores of water being held in the glaciers that covered the Northern hemisphere). When the Ice Age ended and ocean levels rose, these Amerindian populations found themselves cut off from the Old World. The links would be restored only with Columbus's voyages, putting aside the brief sojourn of Leif Ericsson on the coast of Canada sometime around 1,000 AD.

Columbus and the waves of Europeans who followed in the late 15th century and later had two huge advantages. The Europeans had far more powerful weapons and they had pathogens they carried from the Old World that spread in epidemic waves throughout the unprotected Native American populations, leading to mass deaths. The Americas thereby developed as "conquest societies," in which Europeans dominated indigenous populations. Europeans also added one more crucial segment of society to the Americas starting in the 16th century: African slave labor, brought from West Africa mainly to the tropical and sub-tropical regions of the Americas, such as the Caribbean, the American South, and northeast Brazil. Slave labor was not brought in large numbers to Canada, which is one of the reasons why Canada is so different today in terms of inequality.

What emerged in the Americas was therefore a very complicated society of groups of widely varying wealth and power. A small and dominant European group ruled by force and the power of empires over both the indigenous and slave populations of the New World. Over time, these three societal groups – Europeans, indigenous Amerindians, and African slaves – became far more complicated through the mixing of the three populations. So-called mixed populations of African slaves, European conquerors, indigenous populations, became numerous in many American societies.

From the 16th century onward, these groups faced completely divergent situations from the political, social and economics standpoints. The Americas developed into a region of vast inequalities of wealth and power, with the small European populations tending to own the good land, while the native inhabitants were pushed into smaller land areas and deprived of their traditional landholdings, often through brutal and insidious means. Very often the "law" of the Europeans was used to dispossess the

traditional inhabitants, since European-based law did not recognize traditional communal rights to the land.

The violent and conflict-ridden history of the Americas thereby created huge and shocking inequalities. That legacy of inequality has, rather remarkably, continued to the present day. Slavery was thankfully eliminated throughout the Americas in the 19th century, usually by law or decree, though in the United States only by Civil War, and in Cuba and Brazil only as late as 1886 and 1888 respectively. Yet slavery's powerful legacy in the hemisphere continued into the 20th century, as the descendants of slaves generally faced massive liabilities of poverty, poor health, lack of rights, and pervasive social discrimination and violence.

The dark red of the Americas in the Gini map (Figure 2.5) reflects the long legacy of the region's history as societies created by conquest. This kind of historical perspective is necessary to understand the forces of inequality today in various parts of the world. In many places, the inequalities created in earlier centuries continue to cast a shadow. Intergenerational dynamics of income, in which poverty in one generation leads to poverty in the next, plays a huge role. Even where slavery ends, the legacy of slavery continues. Even when the massive brutality against Native Americans in the United States or the so-called First Nations in Canada ends by law, the legacy of poverty, poor health, discrimination in property holdings and so forth, continues. Social discrimination, racial discrimination, and ethnic discrimination continue, alongside gender discrimination. Regional differences also persist, sometimes for geographical reasons such as climate, distance, and transport costs, yet sometimes as a social legacy as well.

I have already mentioned the shocking phenomenon across the world, that indigenous populations face wanton discrimination, usually building on brutal land confiscations and treatment in the past. These indigenous populations are a window onto the human penchant for brutality against groups they do not understand, and groups that threaten their own wellbeing (or at least seem to do so). Indigenous populations around the world held land that was coveted by those who came later. And the newcomers typically lost no time in the brutal expulsions of the indigenous groups from their native lands. These expulsions were backed by law, power, politics, and self-serving cultural stereotypes (typically that the natives were less than human).

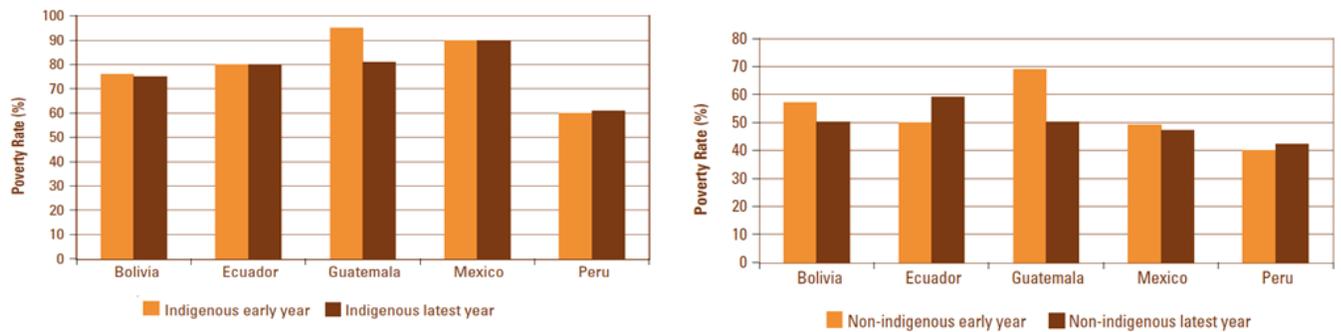
There is generally a long-lasting legacy of this brutal state policy. The indigenous groups have often been forced to settle in marginal lands, such as forests, mountains or desert regions. One common mistake is to assume that an indigenous group that inhabits a difficult environment (e.g. a desert region) does so as a matter of cultural tradition. More typically, the tribe has faced a displacement from more favorable lands, yet often a few generations back and not discussed or treated in the history books. Maybe the group was once in the most fertile lands, but then when later waves of migration arrived, the indigenous groups were forced into the marginal lands.

The poverty rates of indigenous populations are very high around the world. This is not a small part of the overall global extreme poverty. Nobody has a precise count of indigenous populations, but an

approximate estimate is around 350 million people, nearly 6% of the world’s population. Since many of those 350 million live in extreme poverty and abject social exclusion, this is still a large portion of the global population to consider.

Figure 7.3 shows the poverty rates in some relatively poor countries in the Americas – Bolivia, Ecuador, Guatemala, Mexico and Peru. In each case, the poverty rates among the indigenous populations (shown on the left) are higher than the poverty rates among the non-indigenous population (shown on the right). If one were to show the poverty rates of African Americans in the US as well, those would be much higher than the white population. This is an example of how the indigenous populations in the Americas face continuing challenges from their long legacies of political, military, and cultural discrimination and violence.

Poverty for indigenous and non-indigenous peoples in Latin America, 1980s to 2000s



Source: World Bank (2007).

Figure 7.3. Poverty Rates of Indigenous and Non-Indigenous Populations in Latin America (World Bank, 2007)

The map in Figure 7.4 of ethno-linguistic groups highlights another key point, which is that around the world there are significant differences in the extent of ethnic diversity. Ethnic diversity is sometimes measured along linguistic lines. A map like this gives an indication of what is called ethno-linguistic fractionalization, a measure of similarity or difference in the spoken languages in a population. When fractionalization is high, inequality is often high as well, with some groups dominating others politically and economically.

Map of ethno – linguistic groups

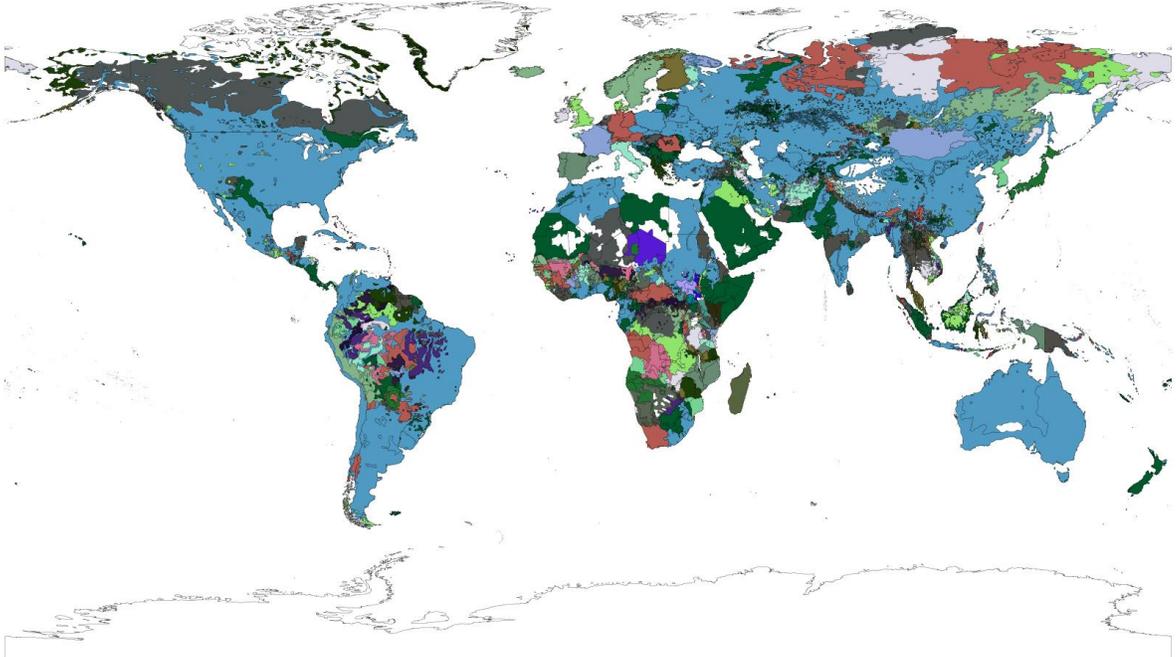


Figure 7.4. Ethno-linguistic Groups

In addition to inequalities across groups, there are also inequalities across individuals. There are inevitable variations across individuals in their work efforts, capacities, and luck, and these too create some degree of income inequality in any society. Yet the extent of inequality that results from such differences also depends on public policies. Does the state help every family to meet its basic needs? Does the state ensure education for all children, even those from very poor families? Is the quality of education that the poor can access high enough to provide the basis for social mobility, or are the educational services for the poor so weak that children raised in poverty get trapped in an intergenerational cycle of poverty? The answers to these questions differ across societies.

This discussion highlights that we must address the challenges of social inequality and human rights across several dimensions. Race, ethnicity, power, conquest, and individual characteristics are all determinants of inequality in society. So too are the political responses, the extent to which power is used to reduce inequalities (e.g. through tax-and-transfer policies) or the extent to which power is used to exacerbate inequalities (e.g. through displacing indigenous populations from traditional lands). Inequality is therefore a legacy of power, history, economy, and individual differences, amplified or diminished through the powers of the state.

IV. Forces of Widening Inequalities

During the past 20 years, income inequality has risen markedly in the United States and many other countries. Income per capita has been rising, but most of the gains have accrued to those at the top of the income distribution. The US Gini Coefficient has risen from around 0.40 to 0.48 between 1970 and 2013, a very sizeable increase.

There are at least three fundamental forces playing a role in the widening economic inequalities in the United States, several European countries, and many of the emerging economies around the world. One key factor is the rising gap in earnings between high-skilled and low-skilled workers. The returns to education have increased markedly, leaving those with less education behind. The rising earnings premium to education probably reflects the combined forces of globalization and technological changes, both of which have been to the disadvantage of lower-educated workers. A second phenomenon has been the increased use of robotics, advanced data management systems, and other information technologies, which seem to be shifting income from labor to capital. Since capital ownership is highly concentrated among wealthy households, the shift from wages to capital income has also widened the inequalities of income across households. The third force has been the political system, which in the US has amplified the widening inequalities caused by market forces. For example, wealthy campaign contributors have been able to use their political influence to get special privileges in the form of tax breaks, subsidies, or advantageous regulatory changes.

A useful starting point to understand these changes is the frequently viewed graph in Figure 7.5, which shows the premium in income (the extra income) earned by college graduates in the United States relative to high school graduates. In 1973, a college graduate had a 30% premium relative to a holder of a high school diploma. That premium actually dipped during the 1970s to under 25%. However, from roughly 1979 onward, the college wage premium soared and has increased to around 45%. It is interesting that that increase started around 1979 because that is also a period when many powerful forces of globalization linked the high-income world with the emerging economies.

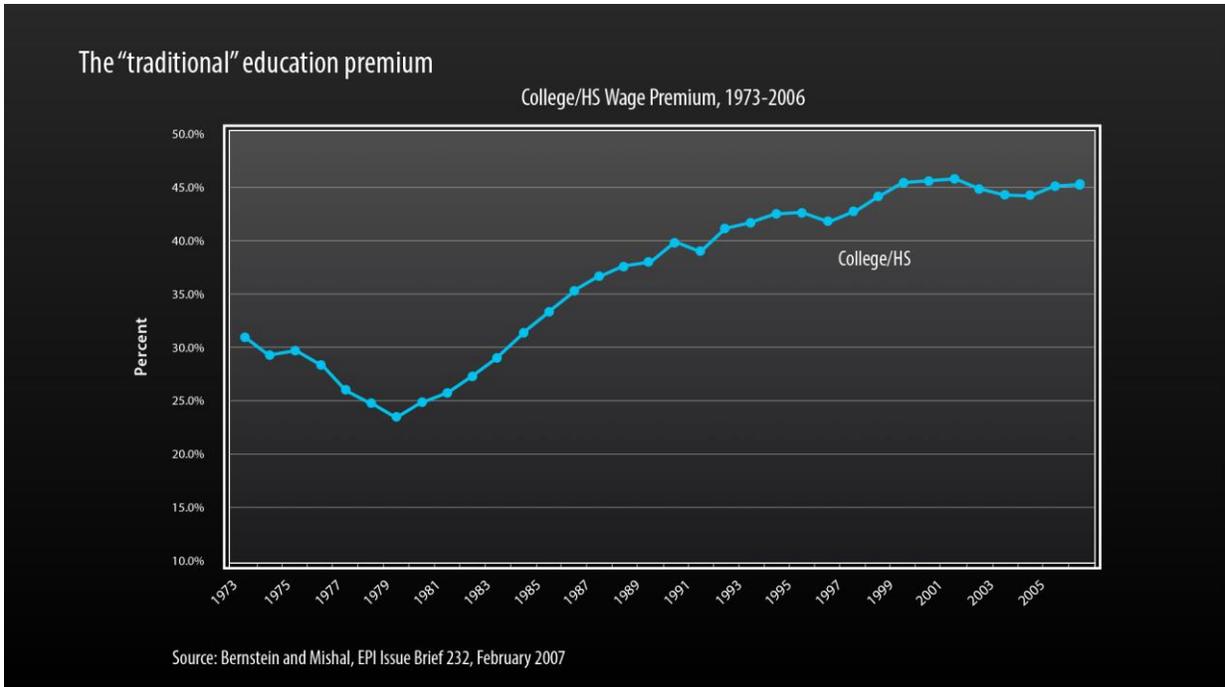


Figure 7.5. The College vs High School Wage Premium (1973-2006)

The globalization and economic integration that began in the late 1970s resulted in the globalization of production systems. Companies began to move work offshore to China, Mexico, and other locations with lower-wage workers. The jobs formerly held by American workers with relatively less education (e.g. a high-school diploma rather than a college degree) were easier to shift abroad. The US labor force in the manufacturing sector began to shrink notably as jobs moved towards Asia and the Caribbean basin. This hit lower-skilled workers hard as their jobs disappeared, or could be saved only through wage cuts.

The US had its peak of employment in the manufacturing sector in 1979 at around 19 million workers. From 1979 onward, there was a significant decline of manufacturing sector employment due to the shift of work to lower-wage economies. For many low-wage economies, and notably China, there was a huge benefit. A key part of their rapid economic growth was due to this gain in jobs from the US and Europe. But for the less-educated workers in the US, there was pain and retrenchment. As of today, there are around 12 million jobs still left in US manufacturing.

Aside from globalization, another force at play is the information revolution and the progressive automation of many production processes. It is another force leading to higher productivity but also to fewer jobs in traditional manufacturing sectors. Technological change has dramatically remade the shop floor of major manufacturing sectors. Robotics is one of the most visible and remarkable aspects of the information technology and computerization revolution of recent years. Robotics can raise productivity dramatically, and lower the costs of many goods and services; but just like the offshoring of jobs, robotics can take a toll on workers who used to do carry out the kind of labor that can now be automated.

The third major factor is politics. When market inequality starts to rise, politics also enters the scene. In some political systems, government forces resist the widening inequality by providing extra help to lower-skilled workers, such as job training, tax cuts, or added family benefits. These countries may call on the higher-skilled workers to take on some extra societal responsibilities, such as increased tax payments to support the transfers to the lower-earning households. In this way, governments “lean against the wind” to narrow the inequalities caused by market forces.

Yet in some places, including the US, political forces have tended to amplify rather than lean against the market forces. In the US, this perverse political practice started in the Reagan Administration. Ronald Reagan entered office in January 1981 with the support of libertarian political forces. These political forces encouraged the cutting of federal government services, the reduction of federal taxes, and the substantial deregulation of the business sector, including Wall Street.

With the support of deregulation, especially in the financial sector, and a weakening of trade unions (in part as the result of globalization), US chief executive officers (CEOs) began to pay themselves mega-salaries. Typically a “compensation committee” of corporate board members would sign off on the salary increase. Yet the CEO often handpicks the compensation committee, which in turn sets the CEO salary. The result is shown in Figure 7.6, which shows the ratio of compensation of American CEOs to average workers. In the 1970s, the CEO compensation was roughly 20 times that of average workers, but then the CEO compensation packages exploded. With deregulation and other constraints on the CEOs weakened, the CEOs began to receive compensation packages that were literally hundreds of times the incomes of the average workers.

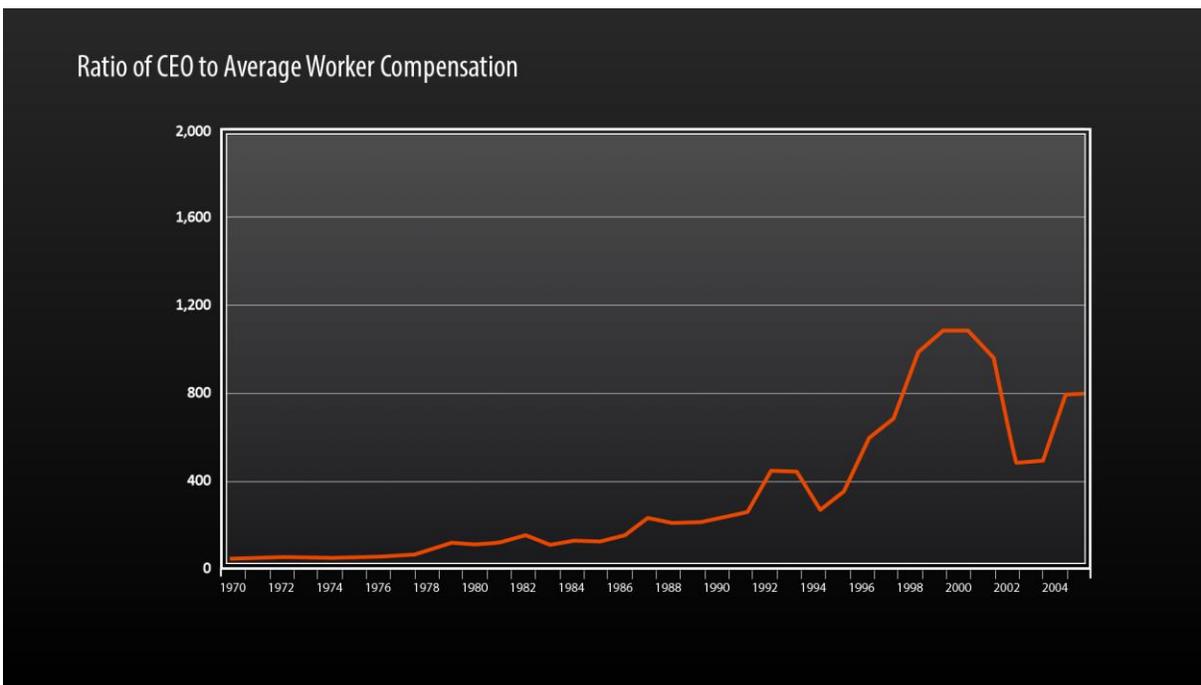


Figure 7.6. Ratio of CEO to Average Worker Compensation

The result of this skewed compensation is shown in Figure 7.7, which illustrates the income share taken home by the top 1% of America's richest households. It shows that for a century up to 1929, when the Great Depression started, the income share was between 15-20%. Then came the Great Depression and the New Deal. Government cracked down on many abuses in the financial sector, and the income share of the top 1% went down sharply. Tax rates for the top earners also went up sharply, discouraging CEOs from pursuing mega-compensation. From the 1940s to the 1970s, the income share of the top 1% was around 10% of total household income. But then the income share of the top 1% turns up steeply.

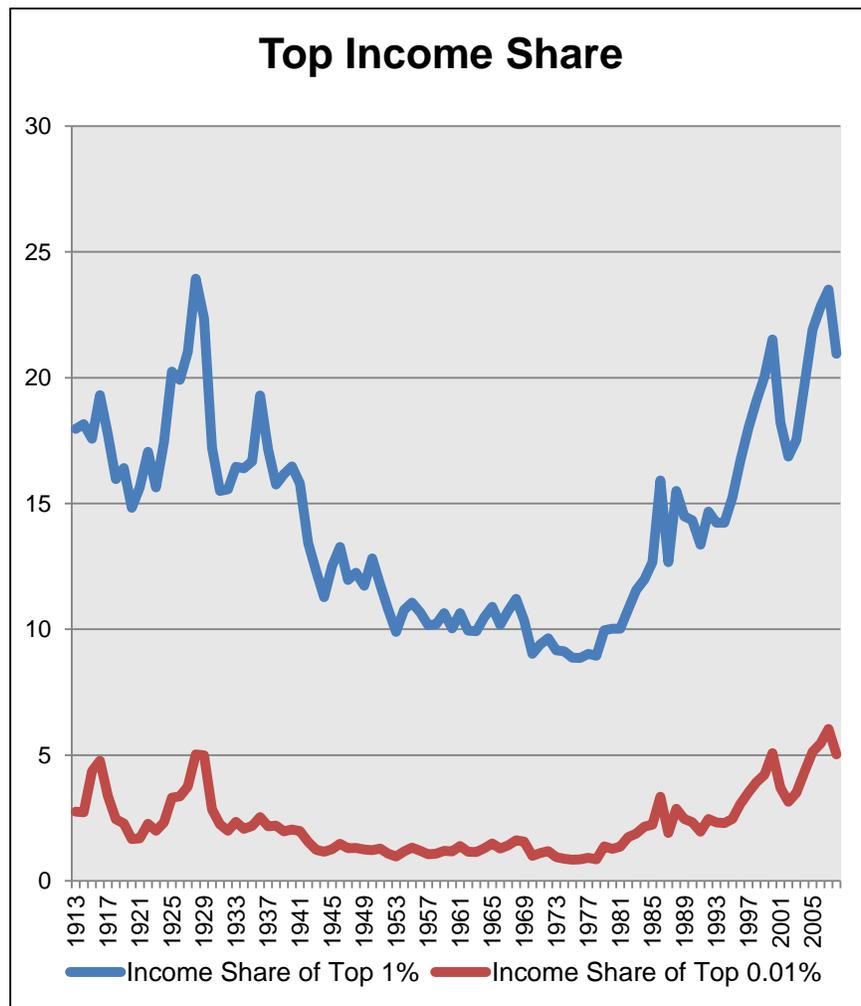


Figure 7.7. US Top Income Shares

Market forces cannot be solely responsible for the rising share of the top 1%, because this gain at the top in the US was not matched (at least in extent) in other high-income countries. It is politics in addition to market forces that account for this remarkable, and troubling, trajectory of inequality. What is remarkable is that the top .01% of US households, just 12,000 households in total out of 120 million

households, now takes home around 5% of the total income of American households, up from 1-2% in the 1970s.

With the rise of income inequality in the US, social mobility has also declined. Poor children are growing up to be poor adults. The children of poor households simply can't break the poverty trap. Many drop out of school early, and few have the means to complete a four-year college education.

There are policies available to reestablish social mobility and social inclusion, but the political system would have to cooperate to make those policies effective. Such policies would include: tax increases on the richest households; greater social support for low-income households; increased training and educational opportunities for the poor; greater regulation of CEO compensation; and a crackdown on various tax breaks and offshore tax havens. So far the US political system has remained impervious to such policies, and instead has continued to cater mainly to the interests of the richest households and companies.

V. Gender Inequality

Gender inequality has been a long-standing feature of most societies around the world. Men have been in the paid labor force while women have traditionally carried out farm labor and home-based production while also raising the children. Laws and social customs bolstered this traditional division of labor, often making it impossible for women to own businesses or to control their own income.

Fortunately, these long-standing gender inequalities are diminishing rapidly in many parts of the world. Indeed, I have seen such dramatic social changes from my own experience working in poor rural areas with traditional patriarchal (male-dominated) cultures. Even in such rural settings, girls are beginning to stay in school in larger numbers, and a few are graduating university and taking professional roles in their communities. In turn, these pioneering young women are changing mindsets and serving as life examples for the younger girls following in their tracks.

We are therefore in a period of flux, where age-old practices of discrimination against females are changing, ideas are changing, economic demands are changing and economic possibilities for girls and women are moving in the right direction. Sustainable development can help that process by promoting legal and administrative changes that empower girls and women. In turn, as girls stay in school longer and then enter the labor market with higher skills, many other benefits to development are soon realized. Fertility rates go down sharply (as girls marry later and also remain in the labor force). Household with fewer children invest more per child in education, health, and nutrition. Girls enter the labor force, providing a rising share of the working-age population in gainful employment.

The Millennium Development Goals took on gender equality in a strong and direct way. MDG 3 calls on societies to promote gender equality and empower women. The specific target attached to MDG 3 is in the education sector. The Goal calls on each country to eliminate the gender disparity in enrollments and graduation rates by the year 2015. This is occurring throughout the world.

Many social benefits will be achieved as countries fulfill MDG 3. First, of course, is the human right of women to equality and economic opportunity. In the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights, the rights of girls and women are protected as clearly as the rights of boys and men. Gender equality has been a key human right from the very start.

The economic gains are also enormous. The direct gains, of course, are the benefits of more educated women in the labor force. The indirect gains involve the children of those women, who are likely to grow up healthier, better nourished, and with a much greater chance of succeeding in school. Investing in a girl's education is also investing in breaking the intergenerational poverty trap.

In 2010, the United Nations Development Program introduced a Gender Inequality Index, shown in Figure 7.8. Notice the especially high gender inequality (meaning adverse conditions for women) in tropical Africa and South Asia. In these two regions, women still lack political power and social standing.

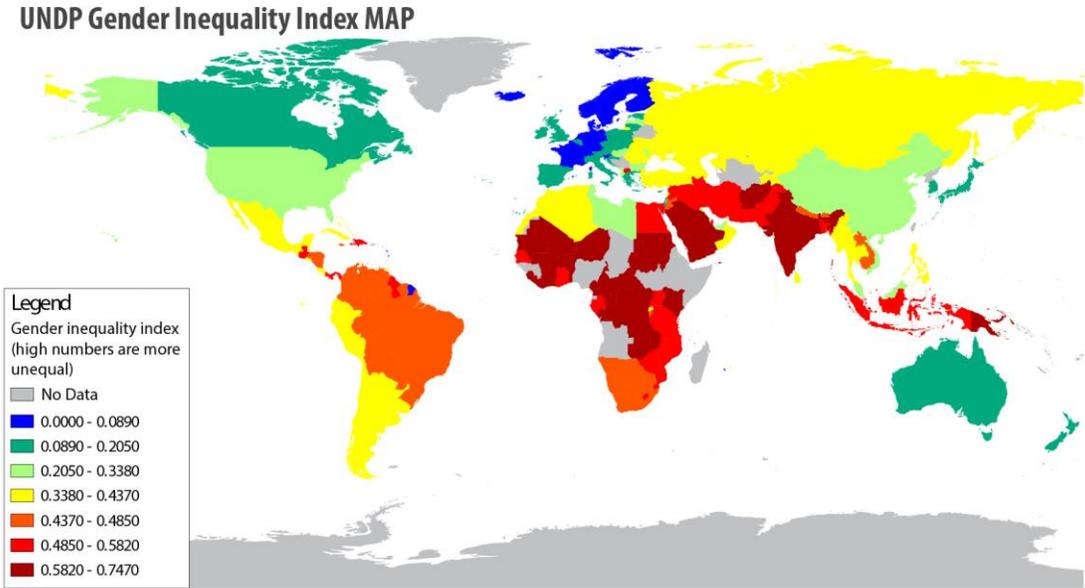


Figure 7.8. UNDP Gender Inequality Index

Like the Human Development Index, the Gender Inequality Index (GII) combines several indicators on a weighted basis to offer a quantified assessment of gender inequality in each country. This GII includes three categories. The first is *reproductive health*, including the maternal mortality rate (the rate at which mothers die in pregnancy or childbirth) and the adolescent fertility rate (the rate at which adolescent girls are bearing children). The latter rate is an indication of the extent that girls are being forced out of their education early and into early marriage and childbearing. The second category is *female*

empowerment, measured by the share of total parliamentary seats held by women, and by the enrollment rate of women in higher education. The third category is the *labor force participation of women*, depicted in Figure 7.9 as the ratio of women to men in the labor force. Note how the countries of North Africa, the Middle East, and South Asia have especially low ratios of women to men in the labor force. In many countries in these two regions, cultural practices discourage women from participating in employment outside of the home.

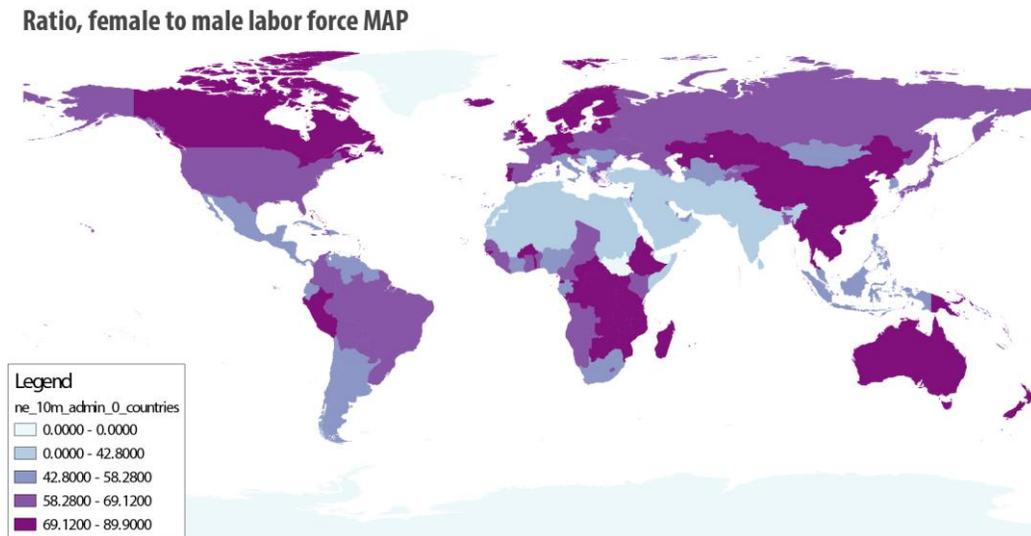


Figure 7.9. Ratio of Females to Males in the Labor Force

Even in the high-income countries, where female labor force participation rates have risen markedly in the past 30 years, there are still significant gaps between the earnings of men and women, as shown in Figure 7.10. Women may take time out from the labor market to raise young children, which can cause them to suffer a loss of earnings. Companies may discriminate and not to invest in the skills or the promotion of women, because they believe that the women will leave to raise families. Another reason is simply because of social norms. And of course a glass ceiling still exists in many cases; even with legal barriers eliminated, the old boy's club and the informal rules of the game still discriminate heavily against women.

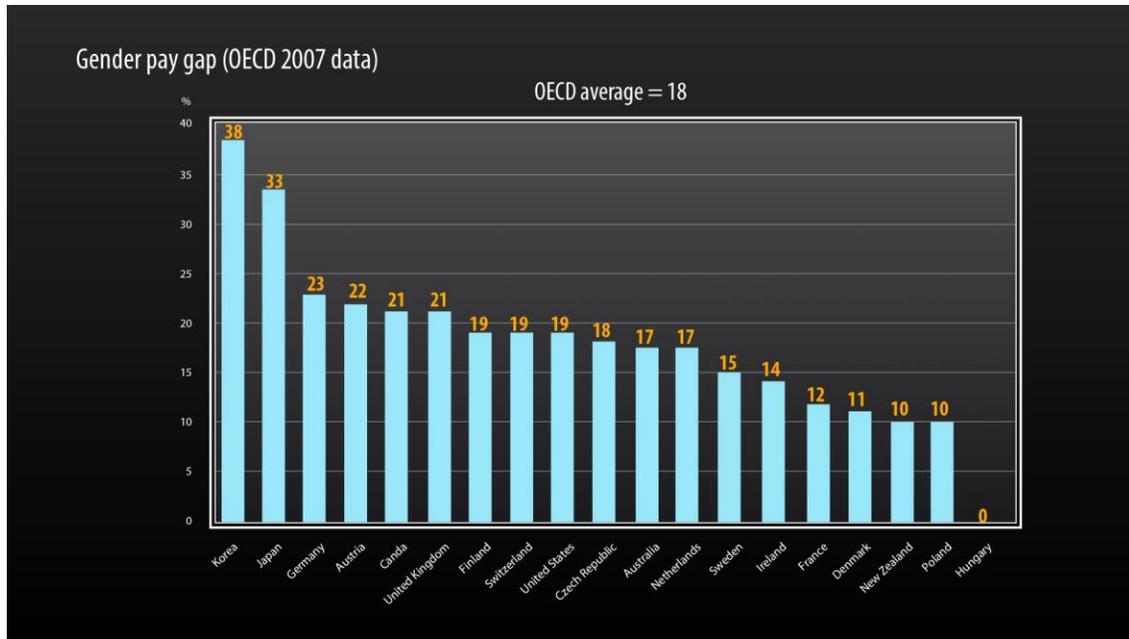


Figure 7.10. Gender Pay Gap in OECD Countries (2007)

However, there is important progress in gender equality, even in the poorest countries. The MDGs have helped narrow the gender gap, especially in terms of education. At the primary education level, the enrollment gap between boys and girls has nearly closed, as we see in Figure 7.11. In some parts of the world, girls' enrollments rates have actually overtaken those of boys at the secondary and tertiary levels. Latin America, which had a tradition and a reputation as a machismo, male-oriented society, is a place where girls have done very well in secondary and tertiary education.

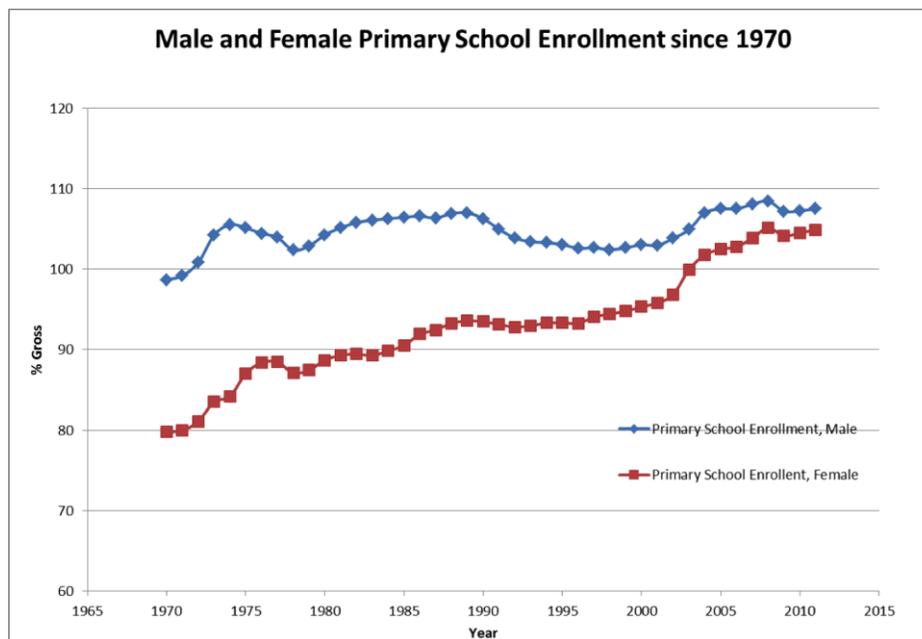


Figure 7.11. Male and Female Primary School Enrollment since 1970

What can and should be done to close the remaining gender gap? It is clear that, as always, a multi-dimensional approach should be deployed. Some of the remaining gender barriers are legal, others are cultural, and still others are a matter of tradition and inertia. Legal reform is often a remaining priority. Can women own and run businesses? Can they own and inherit property? Shockingly the answer is often “no,” even today. What about the delivery of public services? Are girls and women receiving the public services that they need? For example, are hygienic facilities for girls at secondary level available?

As for female representation in politics, some societies have added quotas that require a certain proportion of the votes on a party’s proportional representation list to be occupied by women. When women enter the parliament and government there can be a very powerful effect on changing ideas, norms and policies. Government financial support for maternity leave and childcare can also play a large facilitating role to help women in the labor force. The Scandinavian countries have been especially successful and innovative in this regard. The rest of the world can learn from their example. In addition, Early Childhood Development (ECD) programs including high-quality childcare, pre-school, healthcare and nutrition programs for young children are an enormous help for gender equality, as well as the wellbeing of the young child and the mother.

Finally, it bears emphasizing that around the world, countless women face a terrible, unspoken burden of violence, whether it is rape, husbands beating wives, or other violent acts. UNICEF and other UN agencies have undertaken major efforts to bring public awareness to this kind of violence. Brave activists are pressing for better law enforcement, laws, and public leadership. In many societies, women have been viewed as if they were the mere property of their husbands. This inhumane approach is a fundamental denial of human rights and should come quickly to an end.