

Department of Economic and Social Affairs
Division for Social Policy and Development
United Nations, New York

INTERNATIONAL FORUM FOR SOCIAL DEVELOPMENT

Fourth Meeting, New York, 5-6 October 2004

EQUITY, INEQUALITIES AND INTERDEPENDENCE

SUMMARY OF THE DEBATE

Presented to the 43rd session of the Commission for Social Development
9 February 2005

I. Introduction

1. The International Forum for Social Development was a three-year project launched in 2001 by the Department of Economic and Social Affairs of the Secretariat of the United Nations. Financed by voluntary contributions, it was intended to assist in the implementation of the Copenhagen Declaration and Programme of Action adopted by the World Summit for Social Development held in Denmark in March 1995. The Forum brought together, for informal debates on global issues of development and social progress, representatives of governments, international organizations and organizations of the civil society. Under the overall theme of *Open economies and open societies: challenges and opportunities*, the subjects treated were *Financing of Global Social Development* in February 2002, *Cooperation for Social Development: the international dimension*, in October 2002, *International Migrants and Development* in October 2003, and, in October 2004, *Equity, Inequalities and Interdependence*. A publication on the findings of the project as a whole will be issued in the course of this year. This is a summary of the discussion that took place last October in New York on questions of equity and equality at the national and international levels in relation with the growing *de facto* interdependence of countries.

II. Framework of the debate

2. The normative framework was provided by the Copenhagen Declaration and Programme of Action. This text placed the search for equity and equality at the centre of social development, this notion being itself taken very comprehensively to include the well-being of individuals and the harmonious functioning of societies. In line with the Charter of the United Nations and the Universal Declaration for Human Rights and its two Covenants, the text of the Social Summit saw equality in its three essential dimensions of equality of rights, equality of opportunities and equality in levels of living.

- Equality of rights implies in particular the elimination of all forms of discrimination and respect for the fundamental freedoms and civil and political rights of all individuals.
- Equality of opportunities aims at creating social, economic, cultural and political conditions enabling all individuals to express their potential and contribute to the social fabric. It evokes in particular public policies on education and training and on work and employment.
- Equality in levels of living for all individuals and households -- expressed in income, wealth and their various concrete manifestations such as housing -- being incompatible with freedom, and being seen as undesirable by most contemporary societies, is translated in terms of inequalities and their reduction or aggravation. And inequalities in the distribution of income, or assets, or any other element of living conditions are seen as equitable or inequitable at levels depending on the observer and the norms of a particular society. Equity is thus the equivalent of fairness.

3. With these dimensions of equality at its core, the Copenhagen text attached policy recommendations to its goals – notably the eradication of extreme poverty, the pursuit of full employment, and the promotion of social integration. States, seen as responsible for the welfare and security of their citizens, are urged to establish or strengthen effective, progressive and fair tax systems and to adopt economic and social policies that would stimulate economic activity while correcting unfair disparities and protecting the weak and vulnerable. Macroeconomic policies are to be geared towards objectives of social development and social justice. And national policies are to be supported, facilitated, or even, in the case of the least developed countries, made possible by international cooperation for the creation of an enabling international and global environment. To that effect, imbalances and asymmetries in the organization and management of the world economy are to be corrected so as to parallel equity within countries with equity in the international community.

4. Using this normative framework, the Forum considered the current situation and trends on various aspects of equality and equity within and among countries. It looked at the period starting approximately in the mid-1980s, for at that time an intellectual and political change of major importance took place in the world. This defining time was called by participants the major ideological shift, the great transformation, the rise of global capitalism, the advent of the United States of America as a hegemonic power, or simply the neo-liberal period. In any case, it is a period of about twenty-five years that differs markedly from the thirty five years that followed World War II and the creation of the United Nations. The World Summit for Social Development, held in 1995, represented an effort to instill traditional values, above all the importance of issues of equity and equality, into the new ethos of liberation and competition of private energies and powers.

5. The Forum took the growing interdependence of all countries of the world as a fact resulting essentially from technologies that have dramatically reduced the physical and cultural distance between peoples and nations. It gave the notion of openness its current economic and financial connotations, while trying to assess its social and cultural dimensions and consequences. And it identified globalization with the ideological and political movement that has swept the world during these last decades. Finally, while being aware that concerns with issues of security have dominated many national and international agendas since September 2001 and pushed in the background questions of equality, equity and development in general, the Forum was not able to start assessing the full meaning and consequences of what might be again the beginning of a new era.

III. Observed trends and tendencies

6. There are inequalities within countries and inequalities among countries. Regarding *inequalities within countries* the following observations were made:

- The distribution of income remains the main indicator of the degree of equality characterizing a society, and also the more amenable to measurement. Available

data and studies show that income distribution became more unequal in most countries of the world during the last twenty, twenty-five years. Typically, the share of total national income accruing to the top 10% of households increased and the share of the bottom 10% decreased. At the very end of the scale – the 1% of very rich and the 1% of very poor – gaps became wider. This aggravation of income inequality was in a number of countries, most notably in Asia, accompanied by a reduction of extreme poverty measured by the dollar a day formula or by national poverty lines. But in most cases both income inequality and poverty increased. There were, however, exceptions to the worsening of income distribution: a number of countries of the European Union and some countries of Asia and Latin America kept stable or even improved their patterns of distribution.

- The *distribution of assets*, most notably of capital, though less documented than the distribution of income, has unquestionably on average become more skewed in favour of the top of the ladder. As labour has lost ground in relation to capital for the remuneration of the factors of production, the share of capital income in total income has increased. And this capital has become more concentrated. Capital has been freer to circulate, tax havens have persisted, and so has capital “flight”. Even the countries that kept stable or improved their distribution of income seem to have experienced a worsening of their assets distribution. And land redistribution has not been on the agenda of most countries.
- The *distribution of opportunities for work and employment*, a key determinant of the distribution of income and assets, has also deteriorated during these last decades. There have been better opportunities for a small minority of people endowed with skills in demand, including through international emigration and employment in transnational corporations. But unemployment and underemployment have affected a growing proportion of people in the lower parts of the social ladder, the poor, the uneducated, those having skills not valued by global markets, and those, often the same, having no social connections. Unemployment and underemployment have also affected disproportionately women and the youth. And rural populations continued to have less opportunities than urban populations. Wages and salaries have become more unequal within and among the sectors of most economies. And, in a general context of diminishing attention to labour laws and standards, the quality of work and employment has deteriorated for a majority of workers and employees.
- The *distribution of opportunities for education, knowledge, health and services in general* presents a more complicated picture. Overall crude indicators of access to services – such as enrolment ratios – and of overall well-being – such as reduction of infant mortality, continued to improve in most regions, with however notable and alarming exceptions. Access to modern technologies is spreading beyond the privileged social groups. But refugees and unprotected migrants have become more numerous, HIV/AIDS is a dramatic problem, and the victims of prolonged conflicts, wars, and natural and other catastrophes have become more numerous.

For all those the issue is access to opportunities for survival. Also, in many countries, essential services have become more diversified, with services of good quality accessible only to the privileged social groups.

- The *distribution of opportunities for political participation and power* is, obviously, also a complicated matter. There are a few facts, but most are subject to various interpretations and judgments. The Forum noted that a number of openly authoritarian regimes had collapsed, that elections were held in a growing number of countries and that political democracy appears to be on the rise. But fundamental is the distribution of basic civil and political rights. Human rights are said to be globalized, but a judgment of progress in the actual respect of these rights, and even in the knowledge of their inviolability, would indeed be difficult to make. And from a United Nations perspective, political participation of people in causes and movements that do not meet its basic and universal values and principles is a regression. There is also the weakening of unions and political parties, not or not yet “compensated” by the rise of other organizations of the civil society, the concentration of ownership in the media, perhaps also paralleled by the dissemination of Internet, and the diffuse impression that in most parts of the world the actual distance between those who hold the political, economic, financial and cultural power and those who do not, is widening.
- Cutting across the above various forms of “vertical” distribution, where the entire population of a country is divided along scales determined by income or other variables, are *“horizontal” types of distribution among segments of the population identified, typically, by their sex, age, race or national origin.* Although slow and uneven, and not immune to reversals, progress has continued in the essential domain of equality between women and men. Much remains to be done, but the overall trend has not lost its momentum. Other forms of “horizontal” equality, notably between “ethnic” groups, or with regard to minorities of various types, a prominent example being the indigenous peoples, have tended to gain visibility and importance on international and national agendas. In a different domain, more overall equality is currently actively sought for persons suffering from various types of disability and handicap. For refugees and migrants the trend is much less clear, even if the subject is more openly debated in various international institutions. Overall, although various forms of discrimination, including those inspired by racism, intolerance and bigotry, are alive and in some instances growing, the Forum noted that inequalities of rights and status associated with the inherent characteristics of individuals and groups have presently a much better chance to be addressed, if not redressed, than inequalities associated with the functioning of the economy.

7. ***Inequalities among countries*** have also risen during these last decades, at least as far as the two ends of the scale are concerned, and most certainly regarding both economic and political inequality. The same distributional criteria used for the assessment of levels of inequality within countries could, *mutatis mutandi*, be used for a

similar assessment of inequality within countries. The Forum, however, limited itself to a few points:

- Measured by levels of per capita income the gap between rich and poor regions and countries has been deepening since the beginning of the 1980s. Regional per capita incomes, as a share of the high income OECD countries, evolved in the following manner between 1980 and 2001: the shares of Africa declined from 3.3% to 1.9%; of the Middle-east and North Africa from 9.7% to 6.7%; and of Latin America and the Caribbean from 18% to 12.8%. The shares of South Asia, however, progressed from 1.2% to 1.6% and of East Asia and the Pacific from 1.5% to 3.3%. During the same period, a larger proportion of the African population fell into the bottom quintile of the world distribution of income. Or, as put in the World Bank Atlas of 2004, the 2.3 billion people in low-income countries have an annual average income of \$450 a person, with a low \$90 in some cases; for the 3 billion people in middle-income economies, the average is \$1920; and for the 971 million in high-income countries, it is \$28,550. Within regions, income inequality among countries has also grown.
- Regions and countries have also growing differences in their ability to reduce the extreme poverty affecting their populations. Still according to the World Bank Atlas, the proportion of people in developing countries living on less than \$1 a day dropped from 40% in 1981 to 21% in 2001, but this average conceals opposite trends in different regions: from a decline in East Asia and the Pacific and South Asia, to a stagnation in Latin America and dramatic increases in the incidence of extreme poverty in the countries of the former Soviet Union and in most countries of Africa.
- Political inequality between regions and countries has certainly not been reduced during this period of transition to a new Millennium. Developing countries as a group appear to have less leverage in world affairs than they had twenty years ago. They have been denied a greater say in the management of the world economy and in the control of private economic and financial forces. Practices on matters of trade and finance are still favouring the most powerful and exceptions to general rules for the benefits of the weak are more reluctantly granted. And a small or medium-size power developing country has little reason to feel more secure today than in a recent past in terms of respect by others of the basic attributes of its sovereignty, including its territorial integrity. Among nations, as within them, the distance between rich and poor, powerful and powerless, is becoming an abyss.

8. ***Inequalities within and among countries are increasingly linked.*** The dominant ideas on economy, society and how to organize relations among the countries and regions of the world constitute a coherent corpus with implications and consequences for all facets of the issues of equity and equity. Prevalent views on trade, the free circulation of capital, deregulation of financial markets, or the meeting of competition through cuts in labour costs and “downsizing”, or the meaning of “sound” macroeconomic policy, or the

preference for targeted versus comprehensive social policies with a universal reach, all have direct and indirect implication for the patterns of equality and inequality within and among countries. In particular, an average developing country is subjected both to the effects of international and global arrangements that on the whole represent the interests of the most powerful and to the policy advices and injunctions of international institutions that fundamentally share the same world view. Lately, with the growing interdependence, this conjunction of forces has generated an overall increase in inequality.

IV. Interpretations of the trend towards greater inequality

9. The Forum observed that *the aggravation of inequalities is a neglected issue in the dominant circles of power*. The language of the international discourse is in this regard revealing. The words equality, solidarity, distribution and redistribution, and even closing of the gap between developed and developing countries have practically disappeared from official international documents. Instead, a language of management, market efficiency and business transactions now dominates the discourse on how to address problems of underdevelopment. Peoples are perceived as “target-groups”. Public policies are supposed to create a “climate” attractive to investors and financial markets. Equality is one of the six “fundamental values essential to international relations in the twenty-first century” mentioned in the Millennium Declaration, but there is no further explicit reference to this value in the rest of the document. And the Millennium Development Goals and their related targets and indicators, with the exception of the promotion of gender equality, do not reflect any concern for issues of equity and equality, neither within societies nor among countries.

10. Such changes in language reflect and amplify the *transformation of ideas and power relationships, or great ideological shift* that occurred during the last quarter of the 20th century. Among the many facets of this transformation of the global intellectual and political landscape that seem particularly relevant to explain the rise of inequalities -- and its overall acceptance by those in power -- the Forum singled out a number of elements which constitute a *mix of direct and indirect causes and of consequences and manifestations*.

- There was a *change in the relative power of political forces*. The private sector gained power over the public sector. And gained influence within public institutions. Thus, those in charge of the general interest were weakened in relation with those promoting sectoral and private interests. Financial sectors gained power over productive sectors of the economy and other sectors and institutions of society. Owners of capital and managers gained power over workers and employees. So did unions of employers over trade unions. Political parties representing different views of the general interest lost power over lobby groups representing specific interests. And among those groups, those with the most financial resources had the upper hand. Organizations of the civil society had, at best, nationally and internationally, a delaying influence, and were more an annoyance than a threat to the established powers. Countries of medium or

small size, and with small resources, lost influence in international arenas that are increasingly dominated by the raw exercise of power.

- The *weakening of the state and of public institutions in general* was a particular significant aspect of such changes in relative power. There is no other authority than the State to affect in one way or the other the inequalities and inequities resulting from the interplay of economic and social forces. The countries that during this period managed to participate in the global economy while maintaining or making more equal their patterns of distribution of income have all long established and efficient state institutions. It was also noted that the lessons to be drawn from the experience of “developmental states”, that is states which, particularly in East Asia, had long succeeded in bringing growth with equity to their citizens through a variety of purposeful interventions, had been apparently forgotten.
- *Integrated and comprehensive development strategies and policies* is also a requirement for growth and equity that has been neglected. Such strategies and policies are complicated to conceive and implement. They require political efforts, a connection between research, analyses and the processes of decision and implementation, and the involvement, at least for consultation, of the different segments of society. They also require balances and trade-offs among different objectives and different interests that are difficult to achieve politically, and sometimes conceptually, but that constitute the best guarantees for long-term and sustainable development. Instead of these demanding efforts the spirit of the time seems to have generated suggestions to policy makers that “win-win” and simple measures, such as the opening of domestic markets to imports and foreign investments, or the liberalization of the circulation of capital, would bring quick and positive results. It was assumed that if some sectors were made dynamic and successful, and if some individuals or groups were to become richer, the whole economy and society would benefit. But, for instance, high profits do not automatically generate high savings and productive investment. A mix of incentives, regulations and sense of moral obligation on the part of the most powerful and the most successful remains necessary for building harmonious and equitable societies. And the same applies to the world community as a whole.
- One of the consequences of this lack of comprehensive development policies is that the period was characterized by *on average, relatively low, and extremely uneven rates of economic growth*. Some regions and countries grew very fast and very steadily, while others experienced stagnation and even regression. The previous period had been much less erratic. Low growth or economic regression precludes the reduction of extreme poverty and the reduction of inequalities, especially through the lack of work and employment opportunities. In addition, redistributive policies were ignored and, in poor countries, would have been in any case insufficient to have a significant and long-term impact on poverty and inequalities.

- Simplistic strategies dominated by financial and sectoral interests also led to the disappearance of social policy as a comprehensive concept and undertaking. Social policy, in the intellectual tradition that conceives society as an organic whole, has to do with issues of social structures, social institutions and social relations. At its core are questions of distribution and redistribution of income, status and power. As such, it has intrinsic economic and political dimensions. And it is not separable from the protection and enhancement of human rights. When the dominant view is that economic institutions and relations are sufficient to make the social fabric work, and when the role of the State is limited to ensuring security and facilitate the interplay of market forces, social policy becomes purely remedial. Social development is replaced by poverty reduction and, at the international level, by humanitarian endeavors. The emphasis on poverty reduction, as a focus of intervention rather than as an integral part of a comprehensive development strategy, leads to the use of target groups and targeted policies. The Forum made a severe criticism of this targeted approach, contrasting it with the merits of a comprehensive social policy with universal programmes and benefits financed by progressive and efficient tax systems. It was stated that policies for the poor tend to become poor policies. Moreover, in the absence of policy recommendations to address the root causes of poverty, which have currently numerous national and international ramifications, poverty reduction relies only on the traditional trickle-down of economic growth and on private assistance and charity.
- With direct effects on the aggravation of inequalities, were the deliberate policies of a number of governments. Quite logically, those countries and governments that were at the origin of the great ideological transformation of the end of the 20th century, and those that adopted most enthusiastically the new orthodoxy, implemented policies resting on the idea that the distribution of income, wealth and power ought to be only determined by the manner in which the market recognizes and rewards the work, talent and ability of each individual. Public policies that would interfere with this “natural” market Darwinism are unacceptable. Hence measures that modified tax structures in favour of corporations and those at the top of the income distribution ladder; reduced the share of universal social programmes and benefits in public expenditures; deregulated financial markets; and actively promoted the decline of trade unions already weakened by changes in the structures of production and the rise of the services sector. Recommended by some powerful institutions and relayed by an international elite of consultants, accountants, managers of corporations and influential media, this type of policy had repercussions in a large number of countries.
- These countries, representing the majority of the developing countries and the former republics of Central Asia that were part of the Soviet Union, were not in a position, or not willing, to adopt and implement policies that would correct the effects of their growing openness to external economic and financial forces. Their vulnerability led to a form of dependence on dominant ideas and dominant

interests. They opened their borders to imports that would compete on unequal terms with their domestic activities and forced into bankruptcy and unemployment their entrepreneurs and workers. They cut public financial support to their industries, or cut public subsidies to make food products profitable to their producers and accessible to their poor consumers, and they granted fiscal advantages to foreign investors. They discontinued or did not put in place controls over the movement of capital and let their most affluent citizens invest abroad or freeze their money into tax havens. These actions, or inactions, and many others in the same logic of openness to uncontrolled forces and interests, led to the enrichment of a few and the impoverishment of many.

11. The Forum saw this aggravation of inequality within and among countries as an ***unacceptable and dangerous trend***. Inequalities, when perceived as unfair by those - individuals, social groups and classes, and countries - at the bottom of the social scale, when actively promoted by those at the top and when passively tolerated by those, the majority, that are in between, lead to a segmentation of societies and the world. Even more so, when inequalities perceived as inequities are combined with widespread and/or very visible cases of indigence. And there is only a short step between segmentation and breakdown. Historically, when faced with this possibility of a breakdown, those who were the privileged had difficulties resisting the temptation of using coercive means to maintain their dominance. The more difficult alternative, but the only one that is morally correct and politically viable in the long run, is dialogue, reform and cooperation.

V. Role of the United Nations in promoting equity and equality

12. Given its origins, composition, and mandate provided by its Charter, the first duty of the United Nations is to ***promote more equality among its members***. The Forum felt that the “normal” inequalities among nations, resulting from many historical and other factors, should continue to be corrected, compensated, sometimes ignored and sometimes sublimated, by the traditional spirit and methods of international cooperation through an organization with universal membership and in charge of promoting shared values.

13. Related is the duty to encourage the ***maintenance and development of states and public institutions*** that have the capacity and legitimacy to promote the general interest of the people they are responsible for, and the capacity and legitimacy to play a constructive role in the never ending building of a fair and peaceful international and global community. The Forum saw the overall weakening of public institutions as a major cause of the aggravation of inequalities and as a source of dislocation of societies.

14. Regarding the aggravation of inequalities within countries, the United Nations, besides participating in the elaboration and delivery of the policy advice that its members may seek from international organizations, is the forum that ***gives a voice and a role to those that are in power and control and to those that are not***. The Organization ought to be permitted to develop and strengthen its capacity to offer a space for dialogue and confrontation of interests, views and values.

15. In a world where speed of decision and immediate efficiency are very much in the spirit of the time, and where the imperatives of competition and success tend to relegate in the shadow the need for reflection, the United Nations should also be permitted to ***develop and strengthen its capacity for research and analysis*** and its ability to benefit from the views and insights of those who have something to offer. Equity and equality are not “fixed” notions. And their relations with other human endeavours and aspirations, for instance exchange and expansion and freedom, are also complicated and evolving. There are not only raw interests that are competing, with winners and losers, but also different aspirations and ideals that need to be voiced, heard and understood.