1

Introduction

GILLIAN MACNAUGHTON, DIANE F. FREY AND CATHERINE PORTER

I. Introduction

Economic inequalities are among the greatest human rights challenges the world faces today. Over the past four decades of neoliberal policy dominance, economic inequalities have risen drastically in the vast majority of countries in the world (Alvaredo et al. 2018, 9; Harvey 2005). Over the same period, international human rights have risen to become the primary ethical language and legal framework for justice. This Upendra Baxi labels the "Age of Human Rights" (Baxi 2012, 1). The trend of rising economic inequalities in the age of human rights is not, however, inevitable. In 1948, when the Universal Declaration of Human Rights (UDHR) was adopted, the human rights agenda encompassed the ideal of equality, which coincided with the growing welfare state and the decolonization and "modernization" of low- and middle-income countries (Marshall 1992; Moyn 2018; Dehm 2019). Today, extreme economic inequalities and their myriad negative impacts on human well-being provide compelling reasons to consider the potential of human rights to once again contribute to bring about a more economically equal and just world. This volume takes up that challenge.

The inequalities in income and wealth – vertical inequalities – across the globe are alarming. In 2020, there were 2,085 billionaires in the world, and in 2019, the median pay for the top 100 chief executive officers of corporations reached US$ 15.7 million (Dolan 2020; Batish 2020). In contrast, almost half the people in the world live on less than the US$ 5.50 per day poverty line, and due to population growth, the absolute number of people living below this poverty line has grown since 1990 in South Asia, Africa and the Middle East (World Bank 2018, 7). According to the *Global Wealth Report 2019*, the poorest 50 percent of adults in the world owns less than 1 percent of global wealth, while the richest 10 percent of adults owns 82 percent, and the top 1 percent owns almost half (45 percent) of global wealth (Credit Suisse 2019, 2). These staggering disparities in income and wealth are fundamental challenges for human rights and have garnered the attention of activists, scholars and policymakers.

Over the past decade, activists have been organizing and demonstrating against these extreme income and wealth inequalities, most evidently in the 2011 call of the Occupy movement to the 99 percent to rise up against the 1 percent who are reaping most of the economic benefits of globalization. Prior and contemporaneous movements in many parts of the world contributed to the rise of the Occupy movement including the Arab Spring demonstrations of early 2010 and the Indignados in 2011 in Spain (Ortiz and Burke 2016; Castañeda 2012; Ianchovichina et al. 2015). Economic inequalities continue to fuel protests, as in France, where the *Gilets Jaunes* "reverberate as a primal scream from working-class France at the tax-avoiding, wealth-hogging Parisian glitterati enabled by a government now headed by one of its own" (Goodman 2019). Moreover, nongovernmental organizations long focused on poverty, such as Oxfam and the Center for Economic and Social Rights, have incorporated economic inequality into their work (Hardoon 2017; CESR 2016).

During this period, scholars have also increasingly turned their attention to economic inequality. Economists challenged the long-held belief that economic inequality is associated with higher savings and investment rates among the rich and is therefore pro-economic growth (Kaldor 1957; Kuznets 1955). Recent research has indicated that inequality may instead undermine economic growth as well as sustainability (Dabla-Norris et al. 2015; El-Shagi and Shao 2019; Ostry, Berg, and Tsangarides 2014; Stiglitz 2012). Beyond growth, economists have also developed new measures of inequalities in income and wealth, demonstrated the cyclical nature of economic inequality, explained the negative impacts of economic inequality, and proposed policies to reduce these inequalities (Atkinson 2015; Milanovic 2016; Piketty 2013; Stiglitz 2012). Among the negative impacts, economists have shown that economic inequality (1) facilitates elite capture of financial market regulation, leading to economic crises; (2) undercuts investments in education and health, leading to political instability; (3) diminishes social cohesiveness necessary for societies to weather economic shocks; (4) slows poverty reduction; and (5) undermines democracy (Berg, Ostry, and Zettelmeyer 2012; Ostry, Berg, and Tsangarides 2014; Stiglitz 2012).

Other social scientists have investigated the impact of economic inequalities on a range of social factors. Hundreds of studies now show that, among high-income countries, greater economic inequality is associated with (1) shorter life expectancy, (2) higher rates of child mortality, (3) poorer self-reported health, (4) lower birthweights, (5) greater numbers of teenage births, (6) lower status of women, (7) higher rates of mental illness, (8) greater use of illegal drugs, (9) higher rates of high school dropouts, (9) higher rates of homicide, (10) higher rates of imprisonment, (11) smaller proportions of people voting in elections, (12) lower social mobility, and (13) lower trust among people (Wilkinson 2005; Wilkinson and Pickett 2019; Wilkinson and Pickett 2009; but see Leigh, Jencks, and Smeeding 2011). In view of these studies, it is not surprising that greater economic equality has been associated with greater happiness (Oishi and Kesebir 2015).

As a result of the activism and scholarship, policymakers have also been increasingly concerned with economic inequalities. At the international level, the policy focus from the 1970s through the first decade of the 2000s was largely on reducing poverty, while ignoring soaring economic inequality. This focus was reflected in the United Nations Millennium Development Goals (MDGs), which enshrined as MDG 1 the aim of eradicating extreme poverty (UN Secretary-General 2001, 56). Over the past decade, however, with rising awareness about the extreme and growing economic inequalities in the world, policymakers have complemented the poverty goal with an equality goal. In 2015, the United Nations General Assembly adopted the 2030 Agenda, including seventeen Sustainable Development Goals (SDGs). SDG 10 calls for reducing inequality within and between countries (UNGA 2015). This new global policy focus on economic inequality is also evidenced by the number of UN and related entities that have published reports on economic inequalities over the past decade (UNDESA 2013; UNDP 2013; ILO 2016; World Bank 2016; UNESCO 2016; IMF 2017; UNDP 2019; UNDESA 2020).

In 2020, addressing economic inequality is even more urgent than when SDG 10 was adopted in 2015 due to concurrent challenges: (1) the COVID-19 pandemic, (2) persistent horizontal inequalities, and (3) the escalating climate crisis. These challenges are exacerbated by and also amplify economic inequalities. For example, the COVID-19 pandemic and the ensuing economic crisis have underscored and amplified these (and related social) inequalities. In April 2020, *The Guardian* reported that in the USA, "the billionaire class has added $308bn to its wealth in four weeks even as a record 26 million people lost their jobs" (Rushe and Chalabi 2020, n.p.). The Canadian CEO of Shopify, Inc., had his personal worth increase from US$ 3 billion in March to US$ 8.5 billion in August 2020 (Livesey 2020). Meanwhile, the World Bank estimated that COVID-19 could push seventy million people into extreme poverty in 2020 (World Bank 2020). "Research indicates that those in lower economic strata are likelier to catch the disease" and "[t]hey are likelier to die from it" (Fisher and Bubola 2020, n.p.). Further, "even for those who remain healthy, they are likelier to suffer loss of income or health care as a result of quarantines and other measures, potentially on a sweeping scale" (Fisher and Bubola 2020, n.p.). The World Economic Forum reported that COVID-19 "has thrown socio-economic inequalities into sharp relief," as rich and poor people have widely disparate access to health care, green space, and digital resources to connect to work and education (Myers 2020, n.p.).

COVID-19 has also highlighted persistent horizontal inequalities and their conjunction with vertical inequalities. For example, the COVID-19 mortality among Brazil's indigenous population has been nearly double the rate of Brazil's population as a whole, and the US Navajo Nation has had an infection rate five times higher than the US population (Letzing 2020). Violence and other forms of racial, ethnic, and caste oppression are global phenomena endured for example by Roma in Europe, Dalits in India, people of color in the United States, and Indigenous peoples around the world. Similarly, discrimination continues against women, children, people with disabilities, older people, immigrants, migrant workers, religious and sexual minorities, and others. In 2016, for example, the ILO reported,

> Looking at gender, the proportion of women in India in the bottom two deciles is similar to that in Europe (about 60 per cent), but drops precipitously thereafter, and in the upper half of the distribution women represent no more than 10–15 per cent of wage earners. In the Russian Federation, women make up about 70 per cent of workers in lower deciles and this share shrinks to about 40 per cent in the upper deciles. (ILO 2016, 46)

Discrimination and oppression results in pushing people in these disadvantaged groups into lower positions in the economic and social ladder, such that they are disproportionately poor and disproportionately not wealthy.

The climate crisis also has disparate implications for low-income and high-income people and countries. At the country level, high-income countries have contributed 70 percent of emissions, while middle- and low-income countries have contributed the least, have the least resources to respond, and will be most harmed, including 98 percent of climate change-related deaths (Hickel 2019, 417). Alston reports that "[t]he poorest half of the world's population – 3.5 billion people – is responsible for just 10 per cent of carbon emissions, while the richest 10 percent are responsible for a full half" (Alston 2019, para. 14). Unjustly, the richest people have benefitted most from greenhouse gas emissions and are also best positioned to adapt to climate change, while the poorest have contributed the least, have the least ability to adapt, and will suffer the most (Alston 2019, para. 14). Indeed, "[a] person in the wealthiest 1 per cent uses 175 times more carbon than one in the bottom 10 per cent" (Alston 2019, para. 14). Monbiot asserts that "[t]he very wealthy, almost as a matter of definition, are committing ecocide" (Monbiot 2019, n.p.). In short, the rich are responsible for the crisis and the poor will suffer the most. Buch-Hansen and Koch maintain that "[e]cological collapse and extreme and growing economic inequality threaten human civilization as we know it" (Buch-Hansen and Koch 2019, 264).

In this context, a debate has ensued among human rights scholars and practitioners on whether human rights address economic inequalities (Brinks, Dehm, and Engle 2019; Lettinga and van Troost 2015; Moyn 2018; Oré Aguilar and Saiz 2015; Song 2019; Whyte 2018;). Do human rights address the gap between rich and poor? Or are they concerned solely with raising people out of poverty without regard to the great accumulation of wealth by the few? Notably, human rights instruments are replete with equality provisions. Drawing on these provisions, the human rights community has focused much of its efforts over the past forty years on the elimination of status-based discrimination. But is the prohibition of discrimination against people in certain status-based groups (horizontal inequality) the full extent of the meaning of the right to equality in international human rights? Do human rights address income and wealth inequalities (vertical inequalities)? Do human rights play a role, or could they, in reducing the extreme economic inequalities today? And if so, what level of economic equality do human rights demand?

Following this introduction, Section II presents evidence of gross vertical inequalities, distinguishing between income, wealth, and related social inequalities. Section III outlines diverging perspectives on inequality among economists, and provides an overview of their current major research projects on vertical inequalities. Section IV presents four human rights perspectives on vertical inequalities. Section V briefly reviews the literature to date that informs the volume, and finally, Section VI describes the fourteen chapters that follow.

II. Economic and Social Inequalities in the World Today

The economic and related social inequalities in the world today are astounding. The chief executive officer of Walmart makes US$ 22.8 million per year while the median Walmart employee makes US$ 19,177; that means the CEO makes 1,188 times the annual wage of the median Walmart employee (Nassauer 2018). On the other side of the planet, Mukesh Ambani is one of the richest men in the world and also owns the largest private residence in the world, a twenty-seven-story skyscraper in Mumbai, India, valued at over US$ 2 billion (Miletic 2020). In contrast, studies estimate that between 1.7 and 3 million people in India are homeless, and 68 million people live in informal settlements (Mitra 2020). In South Africa, currently the most unequal country in the world, 65 percent of national income is received by the top 10 percent of earners while the bottom 40 percent receives 4 percent (UNDP 2019, 116). These examples demonstrate that there are multiple ways to measure and depict economic inequality (Stilwell 2019). Income and wealth disparities – and the unequal social outcomes that are related to these income and wealth inequalities – are measures typically used by economists and policymakers (see also Porter, Chapter 5 in this volume).

A. Inequalities in Income

Around the globe, income inequalities are startling, and they are growing as most economic growth is reaped by the top 1 percent globally (Alvaredo et al. 2018, 45). In 2017, workers in the top decile globally earned US$ 7,475 (PPP) per month compared to workers in the bottom decile, who earned just US$ 22 (PPP) per month (ILO 2020, 63). That is a ratio of 340:1. That year, the top earning decile of workers worldwide received almost half (48.9 percent) of total pay, the next decile received 20 percent, while the remaining 80 percent of workers received just

Table 1.1 *Income growth rate of top 1 percent versus bottom 50 percent – 1980–2016*

Income group	China	India	Europe	US-Canada	Russia
Bottom 50%	417%	107%	26%	5%	-26%
Top 1%	1,920%	857%	72%	206%	686%

Source: Alvaredo et al. 2018, 45.

31 percent of total pay (ILO 2020, 70). At the country level, the income share of the top 1 percent in Russia is 20.2 percent, in India is 21.7 percent, and in Brazil is 23.6 percent (Stilwell 2019, 46). In the USA, the income share of the top 1 percent was about 10 percent in 1978 but has doubled and is now about 20 percent (Chancel, Hough, and Voituriez 2018, 6). As shown in Table 1.1, from 1980 to 2016, the income of the top 1 percent grew at a far greater rate than that of the bottom 50 percent, grossly increasing income inequality in China, India, Europe, US-Canada, and Russia (Alvaredo et al. 2018, 45).

B. Inequalities in Wealth

Inequalities in wealth are considerably more concentrated than inequalities in income because people with high incomes do not need much of their income to live on so they can save, invest, and build wealth. The *World Inequality Report 2018* finds the richest 10 percent of the population owns more than 70 percent of the total wealth in China, Europe, and the United States, while the poorest 50 percent owns less than 2 percent (Alvaredo et al. 2018, 198). Over the past decade, the number of billionaires has doubled to over 2,000; these billionaires have more wealth than 4.6 billion people together (Coffey et al. 2020, 21). Even in Sweden, a country celebrated for its economic equality, the richest 1 percent of the population owns 41.9 percent of all wealth (Stilwell 2019, 48–9). Crucially, among high-income and emerging countries, there has been a massive shift of public wealth to the private sphere since about 1980 (Alvaredo et al. 2018, 14). While overall wealth in these countries has increased, public wealth has decreased to zero (or even negative) in rich countries, which limits the ability of governments to address economic and social inequalities (Alvaredo et al. 2018, 14).

C. Related Social Inequalities

Inequalities in income and wealth correlate to inequalities in social outcomes. For example, life expectancy correlates closely to income level. This is known as the social gradient in health. In the United States, the difference in life expectancy between men in the top 1 percent and the bottom 1 percent of the income distribution is fifteen years, and for women is ten years (Chetty et al. 2016, 1762). The same holds true in Norway, a country with a universal health care system and much greater economic equality, where the difference in life expectancy of men in the top 1 percent compared to the bottom 1 percent of the income distribution is 13.8 years, and for women is 8.4 years (Kinge et al. 2019, 1919). There is also a social gradient in education. For example, in Nigeria, a girl born in the poorest quintile of society attends about one year of school, while a girl in the richest quintile attends about twelve years (Malta and Newiak 2019). In the USA, "students from families in the highest-income quartile are five times more likely to graduate with a bachelor's degree by age 24 than students in the lowest-income quartile" (58 percent compared with 11 percent) (AACU 2018). Between countries, 60 percent of youth in low-income countries do not attend upper secondary school, compared to only 6 percent of youth in high-income countries (UNESCO 2018).

III. Perspectives of Economists on Economic Inequality

Economists have a range of perspectives on economic inequality. Traditionally, mainstream economists, who take market-based approaches, have been agnostic toward the distribution of economic outcomes in society. Their focus is on efficiency. Neoliberal economists, however, celebrate economic inequality. They argue that any market intervention to reduce inequality would reduce overall economic growth (Friedman 1953). Both groups maintain that inequality provides incentives for people to take risks, innovate, build wealth, and create jobs, which will (it is assumed) benefit everyone in society, through higher overall economic activity. Economic inequality is merely a consequence of differences in either people's abilities or motivations. This perspective has also been called "trickle down" economics because the benefits of greater economic growth are expected to first be reaped at the top but then trickle down to all. Any policy aimed at reducing economic inequality through redistribution (such as taxation of income or wealth) would reduce these incentives (Okun 1975).

Heterodox economists – those outside the mainstream, market-based schools of thought – reject such views on inequality, and take a more proactive approach to considering the origins of highly unequal outcomes, and how to combat them. They also criticize the mainstream assumptions of a self-interested, rational, utility-maximizing individual (Kvangraven and Alves 2019). Scholars in political economy, for example, have emphasized the role of power, especially between capital and labor, in shaping inequality, which is missing from mainstream approaches (Stilwell 2019). Stilwell (2020) argues that the research agenda to understand vertical economic inequality should include analysis of (1) the relationship between public and private wealth; (2) inequality in the distribution of private wealth; (3) the shares of land, labor, and capital in total income; (4) inequality of income among wage earners, land owners, and capital owners; and (5) the resulting distribution of household incomes.

Recently, mainstream economists have begun distancing themselves from the most extreme – neoliberal – view. Rodrik (2017) argues that most mainstream economists now do not support completely unfettered markets and acknowledge that governments should intervene: (1) when one firm commands too much market power; or (2) in the presence of externalities (whereby production or consumption of goods by one firm/person indirectly impact on others, such as pollution, or public health behaviors); or (3) when there is imperfect information about the quality of products on offer. In addition, most mainstream economists acknowledge that people's chances in life may not be entirely due to their own efforts. Even Milton Friedman (1953), a neoliberal, acknowledged that there was some role of luck in outcomes. Early life circumstances play an important role (Heckman, 2011), and are influenced by inequality, both vertical (e.g. parental income or wealth) and horizontal (e.g. race/ethnicity and gender). Economists have shown that family wealth is by far the most important predictor of children's future work and income prospects in the USA, for example (Corak 2013). Therefore, many mainstream economists have focused on equality of opportunity (Atkinson 2015; Roemer and Trannoy 2015). In this light, these economists have supported public policies to provide a level playing field, by, for example, providing free education to all. Heterodox economists, however, recognize that the best measure of whether there is equality of opportunity among social groups is whether they have equal outcomes (De Muro 2016).

The publication of Piketty's *Capital in the Twenty-First Century* (2014) revived the view that mainstream economics can be of relevance to debates about economic inequality. The book takes the position that economic inequality will continue to increase over time without counteracting policies. Indeed, many other mainstream economists are now becoming more aware of and engaging with the topic of vertical economic inequality, particularly in subbranches such as welfare and development economics (Stiglitz 2012; Milanović 2016). Inequality may finally be coming back in "from the cold" in economics as Atkinson hoped more than twenty years ago (Atkinson 1997).

Additionally, economists are now focusing on inequality through empirical work, especially to document top incomes. Piketty's research reflects a huge effort to accurately measure economic inequality (of both income and wealth), including the painstaking creation of the World Inequality Database, and the publication of the inaugural *World Inequality Report 2018* (Alvarado et al. 2018). The University of Texas Inequality Project (UTIP, n.d.) also calculates an Estimated Household Income Inequality (EHII) for 149 countries and contains 3,872 estimates of Gini coefficients over a period of more than 50 years. In recent work, Alstadsæter et al. (2019) matched leaked customer lists from offshore financial institutions with administrative records to estimate the underestimation of top incomes through tax avoidance and evasion and the consequences for inequality measurement. Economists have also succeeded in improving inequality measurement in the SDG framework. In March 2020, the United Nations Statistical Commission ratified the adoption of a new indicator 10.4.2 – the Redistributive Impact of Fiscal Policy – following a proposal submitted by Oxfam, the Commitment to Equity Institute (CEQ), and the World Bank (Lustig, Mariotti, and Sanchez-Paramo 2020). This new indicator captures the difference between pre-fiscal and post-fiscal income inequality as measured by the Gini coefficient (UNDESA 2020b), and therefore allows monitoring of the impact of government tax and benefits on income inequality.

Heterodox economists also continue to actively address economic inequality. The Institute for New Economic Thinking states the position that "inequality and distribution matter as much to the economy as growth and productivity" (INET n.d.). The World Economics Association describes itself as a "truly international, inclusive, pluralist, professional association" and is a forum for regular discussion on distributional issues through its journals and blogs (WEA n.d.). A bridge between heterodox and mainstream economists can be seen in the