INTERROGATING THE SUSTAINABLE DEVELOPMENT GOALS' TARGET AND INDICATORS ON INEQUALITY

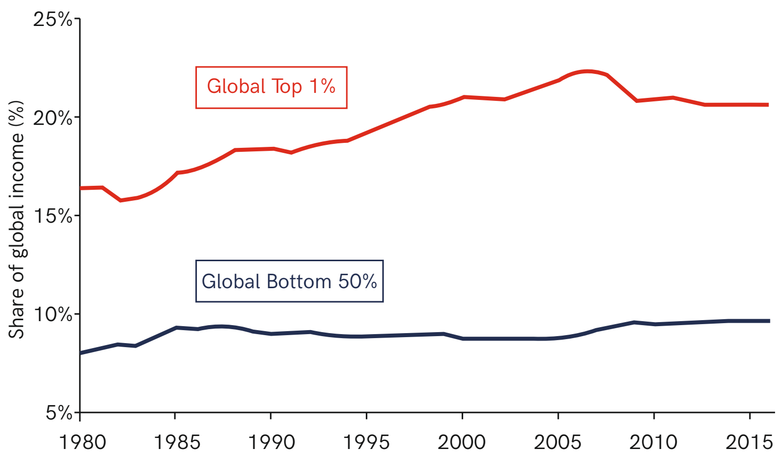
"Inequality is not just an economic issue, but one of human rights. There are limits to the degree of inequality that can be reconciled with notions of equality, dignity and commitments to human rights for everyone. Extreme inequality is the antithesis of human rights."

Philip Alston, UN Special Rapporteur on Extreme Poverty and Human Rights

BACKGROUND AND CONTEXT

Extreme inequality is one of the most defining issues of our time, with the world witnessing unprecedented levels of economic inequality in the past few decades. Estimates suggest that between 1980 and 2007, there has been a significant increase in inequality between and within countries, with about 70 per cent of the addition to the GDP going to the top 10 per cent of the population.[1] Other estimates show that the growth in global income since the 1980s has been distributed in a skewed manner between the top 1 per cent earners and the bottom 50 per cent - with the top 1 per cent capturing twice as much of that growth as the 50 per cent poorest people.[2]

Figure 1: The rise of the global top 1 per cent versus the stagnation of the global bottom 50 per cent, 1980-2016



Source: World Inequality Report 2018

In 2016, 20 per cent of global income was received by the top 1 per cent of the world's population, against 10 per cent for the bottom 50 per cent of the population. In 1980, 16 per cent of global income was received by the top 1 per cent against 8 per cent for the bottom 50 per cent.

[1] The Hindu. *Tax Elite to Reduce Inequality: Thomas Piketty*. January 22, 2016

[2] World Inequality Report, 2018

While widening inequality can be attributed to a number of complex, interconnected socio-economic, political and cultural factors, the neoliberal paradigm broadly encompasses the roots of the escalation in inequality in the past few decades - erosion of labour rights; stagnation of wages and decline of collective bargaining; undermined public services and social protection systems; biased legal frameworks that facilitate astronomically high returns to private capital; regressive fiscal policy skewed towards the rich; economic policies that feminize poverty; and an anti-democratic capture of decision-making by the global elite. Another crucial trend underlying the inequality we witness today is the unequal ownership of capital. Since the 1980s, large transfers of public wealth and assets have been owned or controlled privately. While national wealth may have increased for a majority of countries in the world, most developed countries have zero or little in terms of publicly owned wealth.[3]

While the bulk of debate on inequality, especially in the Global North, has focused on income inequality – the widening gap between annual incomes – the heart of inequality lies in wealth inequality. Wealth, or the sum total of assets owned by an individual directly and indirectly, it itself a source of income. For instance, an asset such as a house yields income in the form of rent, and stocks and shares yield dividends and capital gains. Therefore, income inequality matters only so far as exacerbating wealth inequality.

INEQUALITY AND HUMAN RIGHTS

Radical inequality deepens and perpetuates extreme poverty the same way it sustains extreme wealth. Rising inequalities are both a cause and consequence of human rights violations. Systemic human rights violations drive inequality in as much as unequal societies cause further human rights deprivations. Voices championing human rights have long argued that inequality (and by extension the neoliberal model) is the antithesis of human rights.[4]

While the human rights framework has been particularly cognizant of horizontal inequality and has strongly incorporated issues of non-discrimination and equality of opportunity between culturally or socially constructed groups such as gender, race, ethnicity, caste, religion, sexuality etc., the framework has thus far been hesitant on matters of vertical inequality, such as income and wealth distribution, the need for redistribution and the increasing polarization of our societies.

The distinction between horizontal and vertical inequality, to begin with, is highly misleading – in reality, income and wealth inequality produce inequalities in distribution of power. Skewed distribution of income and wealth results in a disproportionate accumulation of power by elites, thus compromising a range of human rights. Inequality exacerbates non-economic inequalities such as access to health, education and housing. It also adversely impacts the enjoyment of civil and political rights, by fuelling political instability and corruption, disproportionately affecting access to justice and distorting rule of law, and driving insecurity and conflict. Key determinants of inequality, including erasure of labour rights and inadequate public services, can in turn deny human rights.

[3] World Inequality Report, 2018

[4] Philip Alston. Extreme inequality as the antithesis of human rights. *Open Democracy.* October 27, 2015

In this context, ending deep economic inequality as a development goal itself has found expression in Goal 10 of the Sustainable Development Goals, but is also critical to the fulfilment of the majority of other SDG goals – including but not limited to goals focusing on eradicating poverty, ending hunger, ensuring healthy lives and promoting well-being, inclusive and quality education, achieving gender equality, inclusive and sustainable economic growth, and peaceful and inclusive societies. Even meaningful action to curb and mitigate climate change – as well as SDG commitments towards climate change, sustained industrialization and sustainable use of resources – hinges upon addressing economic inequality, as consumption by the richest 1 per cent may emit 175 times more carbon than the bottom 10 per cent of the population.[5]

It is extremely significant then that SDG Goal 10 commits to reducing inequality 'within and among countries', thus outlining a broader vision of human development along economic, social and environmental lines for all countries – developed and developing. However, it is also important to see how comprehensive and ambitious the SDGs are with regard to economic inequality, and whether target 10.1 can be realized by 2030.

SUSTAINABLE DEVELOPMENT GOALS' TARGET AND INDICATORS ON INEQUALITY

Goal 10: Reduce inequality within and among countries

Target	**Global indicator agreed as of 2018**
10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average	**10.1.1** Growth rates of household expenditure or income per capita among the bottom 40 per cent of the population and the total population
10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	**10.2.1** Proportion of people living below 50 per cent of median income, by age, sex and person with disabilities
10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard	**10.3.1** Proportion of the population reporting having personally felt discriminated against or harassed within the previous 12 months on the basis of a grounds of discrimination prohibited under international human rights law
10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality	**10.4.1** Labor share of GDP, comprising wages and social protection transfers

[5] Oxfam. *Extreme Carbon Inequality*. 2015

Target	Global indicator agreed as of 2018
10.5 Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations	**10.5.1** Financial Soundness Indicators
10.6 Ensure enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions	**10.6.1** Proportion of members and voting rights of developing countries in international organizations
10.7 Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies	**10.7.1** Recruitment cost borne by employee as a proportion of yearly income earned in country of destination **10.7.2** Number of countries that have implemented well-managed migration policies
10.a Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements	**10.a.1** Proportion of tariff lines applied to imports from least developed countries and developing countries with zero-tariff
10.b Encourage official development assistance and financial flows, including foreign direct investment, to states where the need is greatest, in particular least developed countries, African countries, small island developing states and landlocked developing countries, in accordance with their national plans and programs	**10.b.1** Total resource flows for development, by recipient and donor countries and type of flow (e.g. official development assistance, foreign direct investment and other flows)
10.c By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent	**10.c.1** Remittance costs as a proportion of the amount remitted

CHALLENGES FACED BY SDG GOAL 10

Perhaps the most substantial challenge faced by the SDG Goal 10 is the normative narrative around inequality. The issue is largely perceived as natural or inevitable, and hardly seen as the consequence of political choices made by countries and the international community, informed by the neoliberal project that was carefully orchestrated by the corporate capitalist class in the 1970s and 80s, whereby capital sought to reorganize itself to recover its socio-economic and political influence by waging a battle on ideological, political and socio-economic fronts - only to pave the way for a stark and steady financialization of the global capital along with structural changes in the functioning of national and international markets and labour. Concurrently, countries moved to implement market liberalization reforms like deregulation of capital and exchange controls, lowering trade and tariff barriers, privatization of industries and services, reduced tax rates and lower public spending - all of which directly contribute to widening inequality.

One of the primary practical challenges faced by the SDGs' commitment to reducing economic inequality is that there is no thematic body or institution at the national or international level responsible and accountable for funding, driving action and monitoring progress on the issue. Unlike other goals under the SDGs which have dedicated UN agencies, committees or mechanisms, economic inequality has few institutions at national, regional or international levels set up with the mandate of addressing one of the most critical development and human rights crisis of our times.

Inexplicably, the World Bank has been assigned as the custodian body on Goal 10.1 and 10.2 - goals which have at their heart the vertical and horizontal equality of groups of the world population which have been left the furthest behind. The Bank was one of the bodies responsible for designing and forcing Structural Adjustment Programmes on a number of developing countries in the latter half of the 20th century, which was one of the most unequalizing hallmarks of the neoliberal project and had devastating impacts on the poor and marginalized. Therefore, the World Bank hardly has the moral legitimacy for leading the process of achieving Goal 10.1 which focuses on sustainably increasing the income per capita of the bottom 40 per cent of the population at levels higher than the national average, or Goal 10.2 responsible for the social, economic and political inclusion of all irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

Further, SDG Goal 10 ignores the top of the distribution - the rich - by not measuring the income of the poorest 40 per cent of the population against the income of the richest 10 per cent. The SDGs therefore take the position that the wealth of those at the top is unimportant as long as the people at the bottom rungs of income distribution see improvement. By having an inequality target that does not take the rich into account, the SDGs allow for greater concentration of income at the top despite substantial research to prove that top incomes and concentration of wealth in the hands of a few drive inequality.

The target also does not specify the targeted level of growth in the incomes of the poor (rather, simply any growth above the national average), thus rendering it extremely weak. Having a target for the growth in the income of the poor becomes necessary when the absolute rise in income of the bottom 40 per cent is compared with that in the income of the top 10 per cent of the population, instead of a comparison in percentage figures. In other words, the same rise in percentage figures in the income of the poor as well as the rich would yield vastly different increases in absolute numbers, thus widening income inequality. Thus, the target measures only relative inequality (focused on ratios, such as the proportion of wealth held by different groups) and ignores absolute inequality (focused on income gap between groups). Therefore, even if target 10.1 is realized, absolute inequality can continue to soar.

POLICY ASKS

Target 10.1 faces failure even if there is substantial increase in the incomes of the bottom 40 per cent of the population, given the magnitude of the gap between the rich and poor. Coupled with deep political resistance to levelling economic and social opportunities and outcomes, the rhetoric on deepening inequality – including by institutions like the IMF and the World Bank – needs to be channelled into consistent support and reform by national governments, regional and international bodies and accountability mechanisms.

Achieving Goal 10 (and along with it, many other goals) will only be possible with a more equitable redistribution of resources and democratic decision-making regarding this. Thus, how and from whom resources are raised, as well as how and for whose benefit the resources are spent will be key to addressing economic inequality. In other words, tax policy as well as public services and social protection responsive to human rights principles are key to addressing not only income and wealth inequality, but also social inequalities and discrimination.

The following measures could be considered to address inequality and realize Target 10.1:

- Establish progressive tax systems: Governments should raise more revenue from those who have the ability to pay more through progressive taxes such as personal and corporate income tax. Throughout the world, governments are under-taxing individuals and corporations and compensating for that through indirect taxes levied on consumption, such as Value Added Tax and Goods and Services Tax which are indiscriminate in nature and disproportionately impact the poor. The top personal income tax rate in China and India, both large developing countries stand at 45 per cent and 42.7 per cent respectively, whereas developing countries have an average top personal income tax rate of 28 per cent and top corporate income tax rate of 25 per cent.

- Tax wealth and inheritance: Along with progressive income taxes, countries need to enact or strengthen a tax on wealth as well as inheritance. A crucial way to redistribute resources and address economic inequality is by taxing the wealth owned and inheritance received by the super-rich and elite. The accelerated earning power of the wealthy lets them accumulate more money, at the cost of the working classes. While working households receive most of their income by way of their salaries, the rich control their wealth through assets like stocks, real estate, cars and bullion, stakes in businesses, and dividends. Throughout the world, even in the aftermath of the financial crisis of 2007-08, the profits of the rich (individuals and corporations) have been privatized while losses have been socialized by way of bailouts by governments, leading to the incomes of the top 1 per cent rising astronomically while wages for most of the population have stagnated or even fallen.

- Rationalize harmful tax incentives and end incentive abuse: Countries should gather data on, report, monitor and rationalize harmful tax incentives. Estimates suggest that countries could be losing up to 8.1 per cent of their GDP to tax breaks – revenue that could have otherwise been used for financing quality public services and social protection.[6] There is also little literature to prove that tax incentives are solely responsible for driving investment. Moreover, tax incentives are vulnerable to abuse as they can be discretely negotiated, may encourage rent seeking, and have significant social and environmental costs including eroding labour rights.

- End tax abuse: The international community needs to adopt a progressive, robust definition of illicit financial flows (IFFs) - funds generated through a range of activities including tax evasion, misappropriation of state assets, laundering proceeds of crime, corruption as well as tax dodging and tax avoidance by multinational corporations and the elite by abusing domestic tax laws, bilateral or multilateral tax treaties, trade and investment agreements. Developing countries lose millions to IFFs, thus widening inequality and impacting the realization of human rights further.

- Establish a pan Asia-Pacific forum on tax to strengthen regional cooperation: There is a need for meaningful participation and engagement in Asia and the Pacific to comprehensively address IFFs and the financial secrecy which facilitates such flows, as well as to address the tax competition and the 'race to the bottom' practices that the region is currently engaged in. This tax cooperation body must be established under the auspices of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) in order to elevate the region's under-represented needs and concerns at international platforms. As member states continue to deliberate on these issues in the context of Asia-Pacific, the UNESCAP Secretariat has alternatively proposed establishing a working group on tax matters in consultation with existing sub-regional forums in light of the region's rising inequality levels, capacity constraints and the emergence of the digital economy.

[6] United Nations Economic and Social Commission for Asia and the Pacific. *Economic and Social Survey of Asia and the Pacific.* 2014

- Establish a global tax body for meaningful cooperation on international tax: Norm-setting bodies on international tax, including the G20 and the OECD, are mostly exclusively comprised of rich, developed countries and are headquartered in the Global North, leaving most of the world's developing countries as well as the world's population looking in from the outside. The undemocratic, unrepresentative and opaque nature of the global financial system needs to be addressed by establishing a universal, democratic, representative, well-resourced and transparent intergovernmental tax body under the auspices of the United Nations, which enables all countries to participate on an equal footing in shaping the norms of international taxation that affect them directly.

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