

Forum:	Economic and Social Council (ECOSOC)
Issue:	Combating rising social inequality: social inclusion as an aspect of sustainability
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Introduction

“Of the 1%, by the 1%, for the 1%” is a very broad form of short but cogent phrase that refers to the unequal income distribution within the United States. Well, this is the starting point of the problem of ‘rising inequality’ and ‘reduction of social inclusion’ of society today.

Taking a look at the ‘Declaration of the *Rights of Man and Citizen*’ in 1789, the first article propagates that Men are born free and are expected to receive equal rights and opportunities. Furthermore, the 10th aim in the Sustainable Development Goals publicizes that the one of the main aims the world is trying to achieve is to reduce inequality amongst others. This is a global aim that everyone should try to achieve.

Thereby, the following question arises: “Then why do all these societies seem to be unable to achieve the one, sole goal?” There are innumerable reasons why inequality has become extremely far-reaching in certain areas including globalization, an extent of capitalism, and economic policies as such to play a vital role in aggravating inequality.

Social Class

Wealth distribution is one big factor, which everyone is aware of, that contributes to inequality amongst populations. In fact, lots of people may hypothesise that unequal wealth distribution is one of the biggest factors that categorise people in terms of rising inequality and their statuses. However, wealth is not the end of defining inequality and has lots of relevant factors such as discrimination, if naming one.

Fundamentally, the palliation of the problem in inequality is taking account the wellbeing and the deteriorating situation of the disadvantaged ones. Through such approaches, not only do these marginalised people benefit but the country's economy holistically would ease. As most are aware, at times inequality is inevitable especially in an economy that is functioning. Nevertheless, in order to create a relatively stabilised economy and society, we need to work towards eliminating extreme levels of inequality and discriminations. The idealistic approach would be to take a closer examination on each extremes and evaluating them to come up with possible solutions and ideas.

Indigenous Populations

This is a similar concept with minorities. Indigenous population can be defined as ethnic groups who have descended from and is in accordance with the original inhabitants of a certain region, contrasting to the groups that have occupied, settled or colonized the area more recently (non-indigenous). People these days are gradually becoming callous towards the indigenous populations, thereby these people are becoming less and less acknowledged and this results in the unintentional exclusion in context of sustainability socially and economically.

Gender

Gender discrimination has relatively eased as we entered the 21st century. However, although there has been meager improvements, problems associated with the gender discrimination issue has not been completely resolved yet. Up until today, feminism and its theories or practises all had noticeable and long-established influence on society. It has confronted social inequity and corruption and has challenged innumerable other instances of oppression. It has definitely been an tricky, and challenging ride. As these women have even gone to risk their own lives in order to gain their basic civil rights, they have been a huge benefit and help to the development of our society today. Some progress we have made today might not have existed without the power of the women which some people still do not acknowledge or recognise.

Definition of Key Terms

Capital

A definition of capital could be : the sum of nonhuman assets that can be owned and exchanged in the market.

Inequality

Inequality can be defined in a number of ways. In this context, inequality would be referring to the unequal opportunities and rewards granted in society for different positions and statuses. This is an amalgam of standards of living, personal and social relations and values or perception of things.

Sustainable Development Goal 10

Just to name a few, goal 10 is seeking to reducing inequalities in income as well as those based on sex, disabilities, age, race, religious statuses, and ethnicities. Promoting social, economic, and political inclusion for all is one of the core aims of this goal - which closely pertains to the issue as a whole.

Fiscal Policy

The policy where the government controls and adjusts the levels of spendings to make it suitable for the current society's economical state.

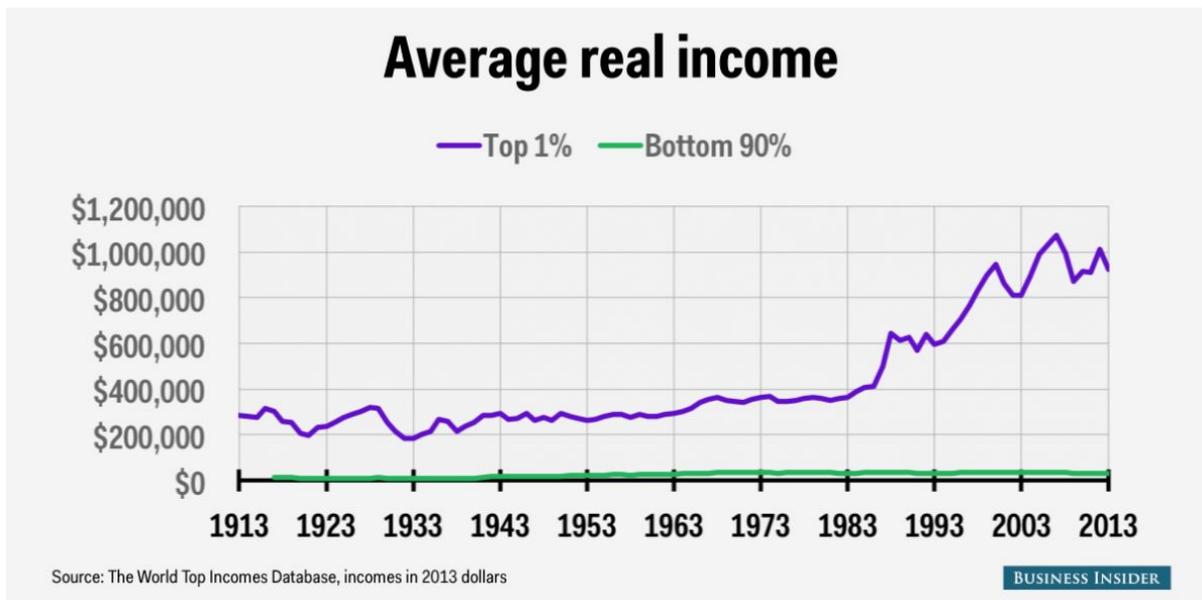
Background Information

Late 20th century

Inequality sped its growth at an accelerated rate especially in the USA and the UK during the 1980s. The alteration and changes in the aspects of economics and politics caused tax cuts, decrease in government spendings and incited the rise of liberalization in markets - neoliberalism. At the moment, this problem of having wide gaps of inequality is reoccurring and it appears as if the levels are rising to reach the point foregoing the 1st World War.

Preceding the first World War, the inequality levels were eternalized. Concurrently, inequality was much eased in the north part of the United States; it was only a couple years until USA had a comparatively diminished level of stock in capital. Nevertheless, after the occurrence of the World Wars,

which shook the global capital stock, inequality declined at a notable rate. Nowadays, however, the levels of inequality has been gradually taking its place back up - like previous years.



Caption #1: The average real income between the top 1% and the bottom 90% in the USA

As seen in the graph, USA's income share for the top 1% and the bottom 90% explicitly presents a huge difference between their average income levels. The average income moderately grew in terms of the rate of growth; however, as the graph enters the early 1980s period, the growth of the top 1%'s income drastically exploded and surged. Nevertheless, when looking at the graph, the bottom 90% - which includes everyone else excluding the top 1% - is crawling at the bottom. The growth seems to take place from 1910s to 1970s, however as the graph enters the 1970s, the bottom 90%'s average real income presents the stagnant growth until current day.

However, not only the United States is experiencing this consequential phenomenon, but also a lot more than we think there is. In fact, listing the top 10 countries with the biggest inequality gap within their nation is listed below respectively from the first to the tenth : Chile, Mexico, Turkey, United States, Israel, Portugal, United Kingdom, Spain, Greece and Japan.

Key Issues

Inequality in income

Income can be defined as money received, usually on a regular basis, for work or via investments. Income inequality is certainly not the most prominent factor that is important in the role of distinguishing inequality. However, individuals' life quality may somewhat depend highly on the level of income one receives. The basic necessities of one such as shelter, nutrition, education and other commodities rely on how much a person can or is willing to spend in correlating relation to one's income level.

Inequality in labour or wage

As the majority are aware of, our society is slowly leaning towards the situation where technology is rapidly advancing and there are various technology that have emerged which - in some extent - is taking over the jobs of labour (the people), especially in terms of the middle wage jobs which lots of people fall into the category of.

Globalisation

Globalization is the expansion of global linkages, organisation of social life globally, and finally listed but not limited to the growth of a global awareness, thus reaching consolidation of world society. Though globalization seeks for consensus, cooperation and equality between nations, this can cause forms of inequality. This may seem ironical because through the expansion of globalisation, people tend to imagine aided and increased rapidity of transportation, and cheaper communication. However, this is only based on research and observation on a global, widely viewed scale.

Vietnam

Taking Vietnam as a brief example, there are a lot of foreigner-run companies and factories in the country. The Vietnamese government gives license and permission for these foreigners from richer and more economically developed countries mainly because it helps with their development - naming one, reducing the numbers in unemployment severely. Explicitly, these people come to run their factories in LEDCs as such to reduce their production costs- which indeed is the inclusion of human labour. As these companies and factories would aim to minimise their production costs, they would pay the local workers a lower wage than they would usually pay in the CEO's home country - but the point is that these recruited labour consider the wage higher than what they would usually earn and expect to earn. With the

products made being exported to an MEDC, motivation to work harder would surge, thus productivity would accordingly increase. This is an example of globalisation having an impact on increasing inequality gaps within the LEDCs because the workers who work in a local-run company, would raise a comparatively low wage and thus would have less motivation because not all local companies export to MEDCs and a major percentage of them export their products locally thus would have decreased motivation, thus decreased productivity results. All in all, as the foreign-run companies come to LEDCs to run their businesses (form of globalisation) and pay their workers a higher wage than usual and is increasing, this would result in an increased gap of inequality. This applies not only to Vietnam but to most of the other developing countries as well.

Outsourcing

Outsourcing is a practice used by different firms or organisations to minimise costs by sending off separate sections of work to external suppliers rather than completing it internally. This is a method employed by enterprises in the aim to save costs when appropriately applied. Thus, outsourcing may also be one factor of causing inequality overall. As in relation to the issue of globalisation, this is resulted because outsourcing is usually carried out by big companies of More Economically Developed Countries, and the sub-branches are from Less Economically Developed Countries, where they usually are given the most rudimentary work. There may be an enormous difference in income because of phenomenons as such. Few examples of these may be UNIQLO, Nike, Apple and et cetera.

Monopolies

Monopoly is when there appears to be exclusive possession or control of the supply or trade in a commodity or service. This creates a welfare loss since monopolies have the tendency to charge above the optimal price, thus hindering economic efficiency. However, monopolies affect inequality since the purchasing power of consumers decrease accordingly. This is problematic to the people, especially with low income, because they would be greatly damaged and disadvantaged compared to the rest of society.

Inequality in opportunities

Education

Education is one of the most vital things in terms of evaluating an individual or a group's stance. Education is very beneficial in society since it supplies human labour, and provides the population with mobile income opportunities. Opportunities and outcomes are inextricable and reinforcing. Education inequalities can result from financial status, ethnicity, race, gender and et cetera. Education is not work - it is a basic right of human race and there should not be discrimination or exceptions.

Age

Age discrimination has also been a problem faced by people in previous years. Due to this problem of favouring one for another because of their age, there has been an act enacted in action called the "Age Discrimination in Employment Act" which forbids anyone to differentiate someone in the workforce under 40 years of age. Although this is still left controversial whether it is effective or should be amended for surged efficiency, there has not been any other actions taken place in terms of this matter and has left the issue here as it is.

Gender

Out of all, gender discrimination is one of the biggest form of inequality in modern society. As it has been in previous years, still gender inequality is huge as a problem. However, there has been a lot of progress made. Even so, there are still lots of loops and gaps yet to be sealed and thereby without doing so there will be negative consequences left untouched resulting in society as a whole. Gender inequity includes economic, political, educational and health sphere holistically but it isn't limited to such measures and includes lots more to it. As mentioned above, however, this has still palliated to an great extent.

Major Parties Involved and Their Views

The World Bank

The World Bank is a conflation of five institutions in one group : The International groups for Development and Reconstruction, Development Association, Finance Corporation, Multilateral Investment Guarantee Agency, and the final centre for Settlement of Investment Disputes. These groups

make up The World Bank and is all, holistically aiming to help countries in economic growth, reducing poverty and to prevent marginalisation within areas.

The European Central Bank (ECB)

The ECB is an officialised European Union institution, consisting of 19 EU countries which have adopted the euro system. Their main objective is to maintain price stability in the areas that utilise the currency of euros and thereby in order to further uphold the purchasing power of the currency (euros). Overemphasis on inflation has been at the expense of employment, growth, and stability.

United States of America

The United States has been performing unpleasantly in the matter of handling the issue of inequality. Despite the country being core focus in the world's economy, it has an excruciating level of unequal opportunities. Prior to Ronald Reagan's days in office, inequality has been steadily controlled. However, after Reagan entered office, inequality gap significantly rose thus creating a huge gap. This sustained and thus resulting in today's top 1% having to own approximately 42% of the country's wealth.

China

China is one of the biggest countries in our world today. Accordingly, the country is recognised as one of the world's highest levels of income inequality. According to a report from a highly ranked university in China, the top 1% of the richest in household owns one-third of China's wealth overall. In contrast, the 25% of the Chinese households are the poorest populations within the country and owns around 1% of the country's total wealth. Thus, this conspicuously proves that the gap is significant in this country. In simple words, the poors get are getting poorer and the riches are getting richer.



#Caption 2: Gini coefficients for few of the biggest countries according to income gap levels

Possible Solutions

Redistribution of wage is an important factor in the problem of ‘market distortion’. Increasing wages can contribute to market distortion since the firm is taking direct part in allocating capital to the rest of the society members. Depending on the level of substitution of capital and labour, raising wages could somewhat alleviate or worsen the situation of inequality in society overall. If the elasticity of substitution is high, which means there are lots of substitutes available, then it is probably not going to be a very clever method to try to alleviate inequality in society through the means of redistribution in income overall.

Another solution is that the significant revenue accumulated from taxes can further alleviate inequality through fiscal distribution and tax transfers. Tax transfer is the transaction fee imposed on someone when an individual is in the process of passing the title of property to another individual.

Last but not least, implementing a system of paying progressive consumption tax can be somewhat plausible. This means, individuals are not required to pay a consumption tax; however, after a certain amount of income earned by an individual and as the income increases progressively, the amount of tax

paid is correspondingly increasing further on. However, there are some drawbacks to this implementation since tax revenues would shrink quite a bit if that were the case.

Fair Trade is something that can also aid the inequality issue in a single scope. This is a social movement which aims to promote equality amongst the developing countries and all sectors - especially the primary in particular - to be treated and paid equally. The members of this fair trade system advocates equality in the payment of exporters and thereby increases equity in economical and social terms. The fundamental principles of this is transparency, improved working conditions and well-built trade relations. If this system is further polished and implemented, the issue of inequity would somewhat palliate and be a valid solution to the problem.

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