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17 The world we need
Richard Wilkinson and Kate Pickett

In most societies, the rise in inequalities is associated with a number of social ills no matter the average level of income per capita. It is so because inequality directly affects people's sense of their own social status. The recent rise in inequality should be of concern not only because it affects negatively overall well-being, but also because it makes more difficult the task of tackling the challenge of climate as people resist changes that may impact negatively their standard of living. The fight against climate change is therefore inextricably linked with that of reducing inequality worldwide.

KEYWORDS economic and social development / income distribution / equal rights / history / developing countries / OECD countries

35 Trade unions and economic inequality: Perspectives, policies and strategies
Edíra Xhafa

Drawing on a global survey involving trade unions from 37 countries, this article provides insights into the way unions view economic inequality and how they respond to it at the policy level. The findings suggest that although trade unions attach a very high level of importance to economic inequality in society in general, the policies and strategies they use to tackle economic inequality may be insufficient. While the political and economic environment may influence their choice of policies and strategies, the apparent "gap" in policy response also points to limited resources and capacities. By providing a detailed analysis of the survey findings, the article contributes to broadening the debate in the labour movement on the policies and strategies needed to address economic inequality.

KEYWORDS economic and social development / economic conditions / social conditions / equal rights / trade union attitude
Labour markets, wage dispersion and union policies
Hansjörg Herr, Bea Ruoff and Carlos Salas

Over the last decades, wage dispersion has been on the increase in most countries around the globe. This can be explained with reference to political and institutional changes, not technological developments. Among the factors influencing wage dispersion are uncontrolled globalization, outsourcing, the emergence of a corporate governance system based on shareholder value, the erosion of extension mechanisms, neoliberal labour market reforms, insufficient increases of minimum wages, insufficient demand management and high unemployment. Policies against high wage dispersion have to tackle all these factors; restricting wage dispersion means changing the structure of consumption and production. If a low degree of wage dispersion is underpinned by an adequate form of demand management, it can coexist with full employment.

Are targeting and universalism complementary or competing paradigms in social policy?
Insights from Brazil, India and South Africa
Bernhard Leubolt, Karin Fischer and Debdulal Saha

The article deals with the prevailing paradigms of social policy. Drawing on the distinction between universalist (rights-based) and targeted (poverty-centred) social welfare policies, the authors examine the welfare regimes and recent policy innovations in Brazil, South Africa and India, namely conditional cash transfers, food transfer schemes and employment programmes. In order to reassess the relationship between targeting and universalism, they analyse the historical and contemporary dynamics of inclusion and exclusion. Their conclusion is that the two paradigms are not mutually exclusive. They propose to base the combat against poverty and inequality in emerging economies with persistent poverty and inequality on "targeted universalism", thus avoiding the pitfalls of the dominant approaches.

Progressive tax reform in OECD countries:
Opportunities and obstacles
Sarah Godar, Christoph Paetz and Achim Truger

In most OECD countries, the redistributive effect of the tax system has been substantially weakened by deliberate tax policies over the last decades. Despite some signs that this trend may have recently come to a halt, a comprehensive policy change is not under way. One major argument put forward against such a change is that of a serious trade-off between equity
and efficiency: according to the dominant view, higher taxes on top personal incomes, corporate income and wealth are detrimental to growth and employment. This article argues that even the dominating theoretical framework leaves substantial leeway for redistributive taxation. From a Keynesian macroeconomic perspective, redistribution may even be conducive to growth and employment. Therefore, besides attempts at international tax coordination and harmonization, national tax policies should actively use their room for manoeuvre for progressive taxation to correct the disparities in the income distribution and at the same time to expand the fiscal space.

KEYWORDS tax reform / taxation / trend / OECD countries

113 The role of the public sector in combating inequality
Christoph Hermann

In the last decades, the merits of the public sector, including public infrastructures and services, have mostly been discussed with respect to their efficiency. Little attention has been paid to the redistributive effects of public services - despite the fact that equal access to essential services such as health care, education, transport and energy benefits low-income earners more than high-income earners and contributes to social equality. This has several dimensions: first, the (cash) value of public services as a proportion of income is greater for low-income households; for example, low-income earners use public transport more frequently. Second, the public sector provides comparably decent jobs for low-skilled and marginalized workers, and wage inequality tends to be lower than in the private sector. Third, the public sector guarantees of equal treatment of all citizens by providing the same service for everyone. However, privatization, marketization and, more recently, the public sector cuts imposed in response to the financial crisis have undermined the redistributive effect of public services.

KEYWORDS public service / public expenditure / income distribution / privatization / trend

129 The impact of financial liberalization on income inequality
Trevor Evans

In the 1970s, the tight regulation of financial systems came under attack from neoclassical economic writers, who argued that liberalization would ensure a greater provision of finance for investment. In the United States, financial liberalization in the 1980s and 1990s led to a major expansion of financial institutions paying very high top salaries while the pressure on non-financial corporations to cut costs and raise returns led to a significant increase in inequality. In Brazil, the financial system was liberalized in the 1990s, but determined efforts by the government from 2003 to raise lower incomes and pensions and to make financial services more
widely available resulted in a noticeable decline in inequality. In Germany, government attempts to promote a greater role for financial markets in the 1990s had only a limited impact and, while inequality increased in the 2000s, this was primarily due to highly regressive labour market reforms. In India, liberalization of the highly regulated financial system in the 1990s led to a relaxation of priority programmes directed at rural areas and, as private and foreign banks shifted to providing finance to the business sector, there was a striking increase in inequality.

KEYWORDS income distribution / financial market / economic reform / financial policy / developed countries / developing countries

143 Inequality – the Achilles heel of free market democracy
Alexander Gallas, Christoph Scherrer and Michelle Williams

In this article the authors discuss, with reference to developments both in the global North and South, (1) the most important drivers of economic inequality in the last 20 years; (2) the mechanisms whereby this rise in inequality has compromised the quality of democracy; (3) the aggravation of this development in the course of the global financial and economic crisis; (4) some of the challenges faced by political forces trying to address inequality; and (5) recent campaigns with union involvement in Germany, Namibia and South Africa that have addressed the issue of inequality and have thus made a positive contribution to revitalizing democracy. The authors contend that these campaigns resonate with experiences in other countries around the world and thus address issues whose political significance transcends national boundaries. Building on their analysis of the campaigns, they end with some reflections on strategic lessons for the labour movement, which concern ways of deepening democracy.

KEYWORDS democracy / market economy / state intervention / equal rights / OECD countries