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**EQUITY, INEQUALITIES AND INTERDEPENDENCE**

**REPORT\***

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<b>TABLE OF CONTENTS</b>	<b>Pages</b>
<b>Introduction</b>	<b>3-4</b>
<b>I Growing inequality within and among countries</b>	<b>4-17</b>
(i) Dimensions of inequality	4-6
(ii) Inequalities within countries	6-12
(iii) Inequalities among countries	12-17
<b>II Interpretation of the rise in income and related forms of inequality</b>	<b>17-30</b>
(i) Inequalities reducing social mobility and creating social fragmentation	18-19
(ii) Indifference to the rise of inequalities and reasons for this attitude	19-22
(iii) Reduction of poverty and reduction of inequalities	22-26
(iv) The direct role of policies in accounting for the rise in inequalities	26-30
<b>III National policies to reduce inequalities</b>	<b>31-40</b>
(i) Strong, efficient, open and participatory public institutions	31-35
(ii) A comprehensive and enlightened approach to development	35-38
(iii) Overcoming obstacles created by the international and global environment	38-40
<b>IV The contribution of the United Nations to a reduction of inequalities</b>	<b>40-45</b>
<b>Annex 1 : Questions included in the Agenda</b>	<b>46-47</b>
<b>Annex 2 : List of Participants</b>	<b>48</b>

## 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 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*.

2. The subject of this fourth meeting of the Forum was chosen in the context of the work of the Department of Economic and Social Affairs on the ten-year review of the outcome of the World Summit that the Commission for Social Development undertook in February 2005. The World Summit, addressing its recommendations to all countries, saw the question of equity and equality in the tradition stemming from the Charter of the United Nations and the Universal Declaration for Human Rights and its two Covenants. It referred to the need for equity and equality within societies and among the members of the international community. It covered issues of equality of rights - notably the elimination of all forms of discrimination --, of equality of opportunities - particularly through education and employment and, internationally, through a fair and regulated functioning of the world economy - and of equity in living conditions. It evoked equity in the distribution of income, assets, public services, and also equity in participation in political processes and institutions. It called for the rule of law and for the creation in the world of a moral and political climate that would discourage corruption and exploitation.

3. This comprehensive and demanding normative framework was accompanied in the text of the World Summit by recommendations on national policies to prevent and reduce inequalities and promote social justice. States, seen as responsible for the welfare and security of their citizens, were 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. Poverty was viewed as a social rather than individual problem having many causes, including structural, and being inseparably associated with lack of control over resources, notably land, capital, skill, knowledge and social connections. Its elimination could not be accomplished through anti-poverty programmes alone but would require democratic participation and economic structures and processes geared towards universal access to opportunities, resources, and public services. The commitment to the goal of full employment was associated with extensive policy recommendations to place employment creation and the respect for internationally agreed standards at the core of national policies. And, social integration in stable, safe and just societies was to be the result of responsible citizenship and benevolent state action.

4. Such national policies were to be supported, facilitated, complemented, 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. A broad-based and sustainable economic growth was to be boosted by such cooperation - including through the actions of the international financial institutions - in order to provide developing countries with the resources necessary to improve the levels of living of their populations. Macro economic policies advocated by international organizations - including through the conditions attached to the delivery of loans and gifts - were to be geared towards objectives of social development and social justice. Domestic resources were to be supplemented by official development assistance, a reduction or cancellation of debts, and also by new and innovative sources of financing. Imbalances and asymmetries in the organization and management of the world economy were to be corrected so as to parallel equity within societies with equity in the international community.

5. The validity of such normative framework, or model of society and international community, was reaffirmed in 2000 by the General Assembly at its 24th special session. It was also reflected, though with much less elaboration, in the United Nations Millennium Declaration. Has this normative framework received a beginning of implementation in these first years of the 21st century? What is the direction of current trends regarding equity and equality within and among countries? Are the world political elites still committed to the ideal of equity and solidarity that permeated the international discourse since the foundation of the United Nations? Such were the issues submitted to the invitees to a seminar that took place in New York on 5 and 6 October 2004 and was followed by an open informal debate organized in the context of the regular session of the General Assembly.

6. This report is structured around four points:
- The growing inequality within and among countries
  - Interpretations of the rise in income and related forms of inequality
  - National policies to reduce inequalities
  - The contribution of the United Nations to a reduction of inequalities

7. A summary of the agenda and the list of participants are annexed.

## **I GROWING INEQUALITY WITHIN AND AMONG COUNTRIES**

### **(i) Dimensions of inequality**

8. The distribution of income is currently the most commonly used indicator of the degree of inequality that exists at a given time within a specific group of people, typically the inhabitants of a country. This choice is consistent with the basic democratic principles that individuals are equal before the law, are free to choose their walk of life and should be given equal opportunities to obtain a position in society corresponding to their merits. Then, income is the main determinant of the social ladder and its distribution reflects both individual's choices and talents and society's valuation of different activities and

positions. In this logic, the measurement of the distribution of income among individuals or households is a tool for assessing the functioning of a society in which the economy is organized according to the tenets of the free market.

9. While reaffirming that income distribution was indeed the main indicator of the degree of inequality characterizing contemporary societies, the agenda had suggested the following complementary elements: distribution of assets; distribution of opportunities for independent work and remunerated employment; distribution of access to essential public social services, notably education, health and social security; distribution of opportunities for civic and political participation; and distribution of access to safety and personal security, including protection against violence, war, crime and environmental degradation or catastrophes.

10. Access to technologies and more generally to knowledge were added during the discussion. These elements could be regrouped with education in a single category called distribution of access to knowledge. Mention was also made of discrimination as a major source of inequality and poverty. Discrimination, in itself a social pathology, often leads to exclusion and deprivation. For example, individuals who are discriminated against are generally deprived of a decent work. This importance of discrimination suggests that another way to enrich the rough categorization mentioned above would be to add a rubric on distribution of access to civil and political rights. Alternatively, the rubric on civic and political participation could include these rights, and also include access to personal safety and security. Regarding the latter, it was noted that, aside from wars and internal conflicts, there are great numbers of people, in many countries, that have to cope in their daily life with insecurity, precariousness and hardship. There are corrupt and abusive local authorities and there are exploitative and unscrupulous employers. These types of practices are creating a form of inequality - should it be called inequality in capacity to avoid or resist abuse? - not captured by usual analyses and statistics. And the victims can be above the poverty line and even not necessarily in the lowest income brackets.

11. In the same vein, the critical importance of the distribution of opportunities for political participation was emphasized. It was asserted that real inequities and inequalities occur at the political level. The way power is organized and distributed in the various institutions of a society, and the manner in which the political processes take place, shape individual destinies. This does not mean, however, that the distribution of political power is directly the cause of all other forms of inequality. Simple relations of causality do not apply to the understanding of this highly complex phenomenon in which personal and social factors are intertwined. But the distribution of power, and the manner in which those who have power exercise it, are at the core of the different forms and manifestations of inequality and inequity.

12. It is necessary to add these other dimensions of inequality to the central issue of the distribution of income, first of all because income does not automatically give access to all other amenities available in a society. If, for instance, schools and hospitals are not free of charge, they may not be accessible to individuals and families having otherwise a sufficient income for their food and shelter needs. Similarly, opportunities for political

participation can be more unevenly distributed than income, not only in authoritarian or elitist regimes but also in democracies or republics perverted by plutocratic practices. Secondly, income, except when it originates from capital and other tradable assets - and this is increasingly a very significant exception as capitalism extends its domination over other forms of economic arrangements - is essentially for an individual the resultant of other elements of his social condition, most notably employment and work. It is therefore legitimate and useful for public agencies to assess the distribution of these aspects of life in society that are extremely significant in themselves and that have a bearing on the level of income available to individuals.

13. Complicating further the understanding and measurement of inequality is the fact that questions of opportunity and access remain incomplete and even misleading if not complemented and weighted by considerations of quality. Employment opportunities, for instance, are distributed equally only in appearance if certain categories of the population have only access to jobs of poor quality. Similar enrolment ratios for different categories of the population give a misleading impression of equality if, for a variety of reasons, working class parents can only send their children to schools of bad quality. This is a very common occurrence in a number of countries at very different levels of economic development and with very different levels of public resources. Similarly, health centers and hospitals vary enormously in the quality of the services that they provide. There are very few countries in which health facilities are low-cost for patients and geographically and qualitatively evenly distributed. And, for education, health and other essential public services, the privatization movement has tended to associate quality of the service provided with level of the price charged to the "client." It was noted that the Millennium Development Goals on education and health, focused as they are on issues of access, could usefully be complemented by criteria and indicators of quality.

#### **(ii) Inequality within countries**

14. A complete picture of inequality in the world and a precise identification of trends – for instance since the post World War II period – would require reliable information on these various dimensions. This is clearly impossible, as even a one-time snapshot on inequality in its diverse forms exists only for a limited number of countries. And there are problems with currently available data and their analyses. For a significant number of developing countries, basic statistics on population, gross national product and a-fortiori income and its distribution do not come from these countries themselves but are elaborated by international organizations at best through sample surveys and more often through comparisons, projections and extrapolations. These statistics can only convey a very partial and superficial picture of the living conditions of the people concerned. Moreover, when there are national reliable sources of data, the much used and indeed indispensable aggregates and averages, for instance on income per capita or enrollment ratios, need to be broken down, especially to capture the situation of local population groups or of groups at both ends of the social ladder. Data on the share of the top 5% or 1% of income earners and assets owners would need in some countries to be further disaggregated to expose the situation of the super-rich. Similarly at the bottom of the scale are the extremely poor, or indigent, whose condition also escape regular analyses.

And, not only percentages and ratios but also levels must be considered. The Gini coefficient, on which most analyses and comparisons of trends in distribution of income are based, provides a case in point. For example, an increase in inequality in the United Kingdom since the beginning of the 1980s has a different meaning than a similar increase in the United States of America during the same period if one realizes that the former has currently a Gini of 32.5 - a level comparable to those of the Nordic countries - whereas the latter, with 41.4, is close to the levels of most Latin American countries. Lastly, current statistics and indicators are glaringly inadequate to apprehend the most qualitative facets of inequality. For instance, only very detailed enquiries could expose the extent of open and covert discrimination that, in most societies, affect people with a physical appearance different from that of the majority.

15. Yet, in spite of the complexity of the question of inequality and of the difficulties and deficiencies of the measurement of its various components, it is possible to affirm with a reasonable degree of certainty that inequality has increased in most countries of the world since the beginning of the 1980s. A movement towards greater equality, clear at least in most regions since the end of World War II, has been reversed in the last quarter of the 20th century. Evidence to that effect was noted by participants in this fourth Forum, primarily for the distribution of income, but also with regard to the other dimensions of inequality.

16. **Income inequality** has risen during the last 20-25 years in economically poor as well as economically affluent regions. This trend, firmly established by the comprehensive research conducted by the World Institute for Development Economics Research (Wider) the results of which were published at the beginning 2004, was confirmed by the regional studies commissioned for this Forum. In **Africa**, where data are scarce and where poverty in a context of insufficient economic development is a dominant preoccupation, income inequality is nevertheless an issue. Estimates put the Gini coefficient at 44% and the shares of total income by the top 20% and the bottom 20% of the population at 50% and 5% respectively. And it seems that about a quarter of people living in Africa are in a situation of long term poverty and that up to 60% are extremely vulnerable and move in and out of absolute poverty. Variations in levels of inequality and incidence of poverty are however significant and there are some indications that a reversal of these downward trends has recently been initiated in some parts of the continent. In Asia, income inequality grew significantly in most countries, including China, India, Pakistan, Bangladesh, Thailand, Indonesia, Malaysia and Sri Lanka. In China, the Gini coefficient seemingly jumped from 25.6% in 1984 to 37.2 in 2000. At the same time, absolute poverty, measured with national standards or with the dollar a day formula, declined in this region, as a movement in that direction initiated several decades ago resumed in recent years after an interruption due to the financial crisis of 1996-1997.

17. **Latin America**, traditionally characterized by high levels of income inequality - with a Gini at around 44% -- experienced a further increase in this inequality during the 1980s and 1990s, notably in Argentina, Brazil, Chile and Venezuela. It improved, however, in Honduras and Uruguay, and remained stable in Mexico. According to

national households surveys, 211 million people of the region were the victims of absolute poverty at the end of the 1990s, as compared with 136 million in 1980 and 200 million in 1990. Inequality and extreme poverty increased even more dramatically throughout **Eurasia**, the region encompassing the former Soviet Union and Central and Eastern Europe. In the Russian Federation, between 1991 and 2001, the income share of the poorest 20% of the population declined from 11.9% to 5.9% while the share of the richest 20% rose from 30.7% to 48.3%. During the same period 80% of households experienced a fall in their income. Absolute poverty affected 50% of the Russian population at the end of the 20th century, and 80% in most of the Central Asian republics. At least with regard to extreme poverty, and with the resumption of a certain level of economic growth, some improvement occurred in this region during these past few years.

18. Inequality in income distribution also increased in four developed OECD countries, i.e. Australia, New Zealand, the United Kingdom and the United States of America. Towards the end of the 1990s Gini coefficients were 41.7 % in Australia, 41.4% in the United States and 40.2% in New Zealand. Such inequality was however reduced in four countries - Canada, Italy, Norway and Spain - and remained stable in the others, including France, Germany, Sweden, Japan and the Republic of Korea. In most of the affluent OECD countries, however, absolute poverty, measured with national poverty lines, became more prevalent during these last twenty/twenty-five years.

19. *Inequality in the distribution of assets*, though less documented than distribution of income, has unquestionably grown during those decades of expansion of market economy and neo-liberalism. As labor 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 significantly in many countries. And this capital has become more concentrated rather than more evenly distributed. The almost universal movement of privatization that swept the world in the last part of the 20th century rarely resulted in the spread of "popular capitalism". Instead, it created a concentration of assets in a few private hands. The main "winners" of the transformation process from a state-dominated, or state-controlled, or even state-influenced economy to a liberal economy which took place in various parts of the world, were those that happened to be in a privileged position of power or influence. Nowhere did workers, employees and small entrepreneurs succeed in modifying in their favor the national distribution of assets. Also, the much freer circulation of capital and ability to invest across national borders, combined with this privatization movement, led to a redistribution of assets from national to foreign hands. In mid-1990s, transnational corporations controlled half of the first one hundred and accounted for 43% of the sales of the five hundred largest companies in Latin America. Capital flight is another phenomenon contributing to skewed distributions of assets in addition to hampering national development. Capital flight from severely indebted countries of Sub-Saharan Africa was recently estimated at \$22 billion. Overall, Latin America, the Middle East and Africa are the three regions having the highest incidence of capital flight. An added element to a worsening distribution of assets in the world is the disappearance of land redistribution from the agendas of most countries. And, tax systems have evolved almost everywhere in favor of the owners of capital.



20. ***Inequality in the distribution of opportunities for work and employment***, a key determinant of the distribution of income and assets, has also worsened during these last decades. The commitment made at the World Summit for Social Development to actively pursue the goal of full employment has been largely neglected, or has proven to be incompatible with the major economic and political orientations of the time, and this had, from the viewpoint of equity and equality, a number of negative consequences. Firstly, unemployment and underemployment affected a much larger proportion of people in the lower parts of the social ladder - the poor, the uneducated, those having skills not valued by society - than people with a social position and social connections. They also still affected disproportionately women and youth, in developed as well as in developing economies. Secondly, rural people, still representing a majority of the population in a number of developing countries, continued to be penalized as work and employment opportunities were generally more scarce in rural than in urban areas. In India, for instance, the growth of rural employment was at 0.67% by the end of the 1990s, and this was the lowest rate in post-independence history. Moreover, in a great number of countries, the gap between the salaries offered for jobs available in rural areas - in agriculture or in other sectors - and those in cities seems to have widened. Thirdly, new job opportunities opened predominantly in services and, especially in developing countries, a majority of these were part of the informal sector, which means that they were poorly remunerated, not protected by basic labor standards, and not providing any kind of social protection. Precarious working conditions also became more the rule than the exception in affluent countries. Seemingly everywhere, wages and remunerations have become more unequal among and within sectors, between urban and rural areas and among regions. Even within public services, which have been generally trimmed and battered, differences in remuneration have widened. Thus, inequality has grown, as employment and work opportunities have become better for a minority and have deteriorated in quantitative and qualitative terms for the majority of people in the world. And there is no sign of a reversal of this trend.

21. ***Inequality in the distribution of social services and benefits***: Traditional indicators of well-being, such as reduction of infant mortality or progress of enrolment in schools and universities, reflecting a general improvement in living conditions, appear to have globally continued their long lasting upwards trend. Even in Africa, estimates suggest that infant mortality per 1000 live births declined from 96.7 to 85.3 in 2000, gross enrolment ratios progressed during the same period from 78 to 89% for girls and from 85 to 95% for boys, and illiteracy declined from 61 to 46% for women and from 40 to 29% for men. In Latin America, infant mortality fell from 42 to 32 per 1000, life expectancy progressed from 67 to 70 years, and enrolment in the first level of education is now complete. In India, the literacy rate grew from 52% in 1991 to 65% in 2000, and infant mortality was also reduced. And in China, enrolment in primary schools was 98.6% and the proportion of primary school graduates entering secondary schools was 97%.

22. Such figures, and the positive image they convey of the state of the world, need to be nuanced and qualified in several important respects. Firstly, there are countries and regions that, even in terms of these indicators and statistics on averages and ratios, have

regressed during these last decades. This was particularly the case in the countries of the Eurasia region. At least until recently - and the evidence of a reversal of trend is far from being overwhelming - health conditions were dramatically deteriorating, notably in the Russian Federation, and education facilities and opportunities were also declining in a context of general neglect and under-financing of public services and breakdown of a large range of social institutions. An actual decline in life expectancy was registered, and this is rather exceptional in the recent history of humankind. And this overall regression of social conditions was accompanied by growing inequality, as a small minority had access to privatized and onerous health and education facilities at home or abroad. Although less noticed because occurring in a continent that the world media is "used" to present as plagued with poverty, similar situations of overall regression of living conditions coupled with stronger privileges for affluent minorities also took hold in a number of African countries. Many of these are victims of the HIV/AIDS pandemic and of internal violent upheavals. Moreover, in other regions as well, entire populations - most prominently the Palestinian people and lately the people of Iraq - are the victims of long-lasting conflicts or wars. For them, not only access to the basic humanities of life, but survival, is a permanent challenge.

23. Secondly, progress in national indicators of access to health or education facilities can and often do mask a persistence or aggravation of inequalities within these same countries. There are inequalities between regions and between urban and rural areas. In the large and still relatively materially-poor countries of Asia having recently made great strides in economic growth and income per capita, this type of inequality is becoming more acute. In India, in 2001, the literacy rate varied from below 50% in Bihar to above 90% in Kerala, and this same literacy rate was 59% in rural India and 80% in urban India. Infant mortality was twice as high in Uttar Pradesh as in Tamil Nadu. In China in the mid-1990s, infant mortality rates were twice as high in rural than in urban areas. There are also the equally significant inequalities in the distribution of public social services by social groups. In Latin America, for example, the distribution of access to education and of the benefits of the education system is markedly uneven and tends to be transmitted from generation to generation. In this region, around 75% of young people in urban areas are from households in which the parents received less than 10 years of education and, on average, more than 45% of them do not reach the educational threshold - currently put at 12 years of schooling - indispensable to have a chance to obtain a decent and stable job and income. Just over 30% of young people whose parents did not complete their primary education manage to finish the secondary cycle, whereas 75% of children whose parents had had at least 10 years of schooling did succeed at this secondary level of schooling. Comparable data for access to and use of health and housing facilities and programmes show that in this region of Latin America a number of cumulative factors lead to a "reproduction" of inequality among generations of people belonging to different income and social groups. The Forum was apprised of similar trends in Eurasia. In a number of societies, access to and use of social services and amenities has in recent decades become less rather than more equal among different social and income groups.

24. Thirdly, the difference for the people concerned of having access to education and health facilities of good or poor quality is obviously not captured in overall statistics of

enrolment ratios or average life expectancy. These differences in the quality of the services offered by a society to its members - depending on social class, income, location, or any other factor that cannot be truthfully attributed to the inner talents, qualities or characteristics of the person, and the latter personal attributes are obviously irrelevant for health care - seem to have become more pronounced in recent years as public control and financing gave way to private ownership and/or management. Overall, good quality services are now expansive and de-facto reserved to the social class that can afford them and services of mediocre quality are attended by the poor and the lower assets and this is not sparing the countries, notably of Western Europe, that have managed to avoid an aggravation of income disparities.

25. *Inequality in the distribution of political power* is in itself a vast and complex subject that the Forum was not in a position to treat beyond a few general remarks. Judgments on progress or regression at the world level are very much dependent on the perspective and criteria adopted by the observer. In the dominant international discourse, emphasis is placed on the progress of democracy, as evidenced by the number of countries that, following the collapse of the Soviet Union, have shifted from dictatorial or authoritarian or military regimes to various forms of liberalism characterized at least by the periodic organization of elections. Not only in and around the former Soviet Union, but in Latin America, in Africa and to some extent in Asia, democracy, so understood, has indeed become more the rule than the exception. One notes that authoritarian and one-party political regimes seem to be on the defensive, as isolation and strict control of more informed citizens becomes increasingly difficult. And there is the often mentioned globalization of human rights, meaning that people around the world have a better consciousness of power, its abuses and the possibilities that they have to fight and redress such abuses.

26. But the international discourse also recognizes that for a great number of people around the world, political participation is inaccessible. There are oppressive political, social, cultural and economic structures and institutions and there are conditions of indigence and misery that constrain people to a constant struggle for survival and do not leave much room for participation in the *res publica*. The old debate between a Marxist and a liberal perspective on society, between adepts of "real" rights and freedoms and proponents of "formal" liberties, has not lost its relevance, as the official doctrine of the United Nations on the inseparability of the two "sets" of human rights has yet to find general acceptance and to be translated into effective policies. Few political regimes make a serious attempt to reach the poor and disenfranchised. An occasional vote for the election of a president or a representative is indeed important to keep alive the shell of democracy, but citizenship involves other privileges and responsibilities that are generally not accessible to the poor and the working classes. Political parties and unions, which were since the 19th century conduits for political participation and vehicles for the expression of claims and views on the organization of society, have been considerably weakened. Their eventual replacement by organizations and movements in the realm of non-governmental organizations would imply the invention of new forms of political representations. In general, the weakening of the public sphere and the celebration of the

virtues of the private sector is not conducive to organized and meaningful political participation.

27. Above all, internal conflicts and wars, and the climate of violence that permeates the world on the eve of the 21<sup>st</sup> century, are incompatible with political participation. Mobilization is not participation. The latter is an expression of the informed free will of the individual. It implies the possibility not to participate and the use of one's critical judgment. It cannot be motivated by fear. And it requires a peaceful environment. Yet, it is estimated that as much as one-sixth of the world's population suffers the psychological consequences of such traumatic phenomena as war, ethnic conflicts, natural disasters, torture, terrorism and land mines. Individuals and families with money, a social position and social connections are usually better able to protect themselves from these various threats than are poor people.

### **(iii) Inequality among countries**

28. Inequality among countries could be considered much less important than inequality within countries. It could even be seen as largely irrelevant. Here are the main arguments sustaining this position:

- Issues of social justice and equality have long been at the centre of philosophical reflections - from Plato to Locke and from Rousseau to John Rawls. They have generated political parties, unions and movements, social upheavals, civil wars and revolutions. Probably more than any other causes, they have given rise to innumerable dedications, sacrifices, and also repressions. But the subject of inquiry and controversy was always the degree of inequality that was tolerable among people bound together by an identifiable and recognized link, notably the citizenship of a country. And demands for more justice were and are still addressed to an entity -the prince or the monarch, the government or the state - with a recognized responsibility for the security and welfare of the group. Among states, which are strongly unequal in many respects, equality has only a legal and formal meaning in the context of international law.
- In any case, in an age of globalization nation-states are losing some of their power and importance. There are transnational actors, above all corporations and banks but also international organizations and social and religious institutions and movements, which play an increasing role. Modern communication and information technologies ignore borders, national sovereignty and non interference in domestic affairs. National policies, including those aiming at affecting inequality and poverty, are routinely ignored and bypassed by decisions of global institutions regulating international finance and trade. Many states are too small or too weak - economically, financially and politically - to have a say in the action of these global forces. The most powerful nation-states can still impose their views and influence -and their military presence - on others, but even they do not seem to be able or willing to control the transnational forces that they have unleashed on the world scene. Then, goes this reasoning, inequality among

entities that are destined to be marginalized and to be supplanted either by institutions of the global market or by a world government is a moot question.

- Moreover, even if inequality among states could be considered a legitimate issue in world politics, to give it too much attention ought to be seen as a distraction from the real and burning issues of growing inequality within countries. The worst problems of inequality and inequity are within societies. And states and governments still have, notwithstanding globalization and interdependence, the capacity to alleviate, or aggravate these problems. Inequality among countries, particularly inequality between developed and developing countries, is a long term problem of growth and development. Inequality within countries is an issue that is amenable to a large array of decisions with immediate effects, including in tax systems or delivery of public social services, and international organizations are in a position to affect those decisions.

29. The Forum, however, saw inequality among countries not only as a legitimate subject of inquiry and debate but as an issue that should shape the agenda for international cooperation. Four arguments were put forward:

- Since the post World-War II decolonization movement brought to the United Nations a large number of new members that were considered, according to the criteria of the Western powers, under-developed -- and then developing -- the notion of development has permeated a large part of the work of the organization and of the other international agencies. This notion implies a model and a scale along which countries are ranked and implies that the distance separating them ought to be reduced. Thus, from the early 1960s, the idea that inequality among countries was a problem that ought to be addressed has become part of the global consciousness and has constituted the very heart of international economic cooperation. It gave rise to the creation of institutions with considerable influence and significant means of action, notably the UNDP and UNCTAD, and it provided a focus to the activities of two powerful financial institutions, the World Bank and the IMF. It was certainly an idea that was contested, notably by intellectuals of the South and of the North. The notion of a single "model" of development was seen as an avatar of colonialism and imperialism. Each country, or at least each region, should develop its own path to progress, a concept that ought to be "deconstructed", as it reflected some universal values but also strong cultural and political biases and prejudices. This attempt of the "third world", or rather of the "non-aligned movement", to gain real independence from the dominant countries, and to share power with them rather than being kept in a situation of assistance, culminated in the mid- 1970s with the demand for a New International Economic Order and a Charter of Economic Rights and Duties of States. Nevertheless, to cut short a rich and difficult history, at least in the United Nations the main rationale for cooperation between affluent, less affluent and poor countries remain the reduction of inequality among these countries, notably measured with statistics on the gross national product or income per capita.

- These member states of the United Nations, affluent and poor, powerful and voiceless on the world scene, are indeed increasingly interdependent through trade and perhaps equally importantly through exchanges of ideas and confrontation of views and interests, and they are at this point of time all more or less under the spreading mantle of global capitalism. The policy making autonomy of most is hampered by the strategies and activities of global economic and global forces and also by the sometimes related and never contradictory advices and injunctions of international financial institutions. These webs of influences and pressures clearly have a role in the determination of the position of a country -particularly an economically under-developed country - on the development ladder and have a role in the determination of changes in the domestic patterns of equity and equality. Yet such patterns only can only be purposefully and consistently altered - in whichever direction - through national policies and these policies are easier to formulate and implement for countries that reach a level of economic development conducive to some degree of policy making autonomy. Since the nation remains the basic unit of policy making, it is important that inequality among countries be on the international agenda so as to keep open for a majority of them the very possibility of purposeful distributive and redistributive public measures. Matters would obviously be different if there was a supranational or transnational public authority with the mandate and capacity to promote social justice at the world level.
- Whether or not humankind will choose a future with such a public authority - and current dominant trends are certainly not leading in this direction - there is nevertheless a widely shared perception of an increasing oneness of the world. This perception, or sentiment, rests on facts that are difficult to deny, from common threats - and there are many - to common hopes and possibilities - and including the ambivalent current features of interdependence and globalization. For those - a strong majority at this Forum - who believe that humankind has the choice to orient this oneness towards a promising future, or to let it be conflicted and ultimately destructive, and who also believe that a true and viable universalism has to be built on strong and benevolent nation-states, the quest for more equality among these nation-states is a moral and political imperative. Not only more equality in terms of economic wealth, but also with regard to participation in the management of the world economy, in the elaboration and implementation of common rules in a variety of domains, and in such intangibles as respect from others and feelings of worth and dignity.
- The fourth argument which was made pertains to the inseparability of the two faces of the question of inequality. Issues of inequality within countries and issues of inequality among countries are first linked by the dominant ideas on how to organize the economy and society. Prevalent views on, among others issues, deregulation of various markets, competition, cutting of labor costs and "downsizing", systems of taxation and tax exemptions and tolerance of tax havens, have direct effects on various forms of equity and equality. And the capacity enjoyed by a few major public and private powers to set the international

and global "rules of the game" is paralleled by the relative impotence of a majority of lesser actors. This was a recurrent theme of the Forum. For a large number of countries, a reduction or prevention of inequality at home would be greatly facilitated - and is sometimes dependent upon a reduction of inequality at the international and global levels. And the current features of the world political economy, including those generally viewed as globally positive such as the relatively free movement around the world of individuals with valued managerial or technical abilities and skills (plus the knowledge of English or capacity to master rapidly the rudiments of this language), create domestic differences and inequalities among social and occupational groups. The emergence of a transnational market for certain skills affects national patterns of distribution of salaries and incomes, including through people of developing countries who decide not to move abroad but are nevertheless in a better position to bargain because they are in demand elsewhere. This relatively new phenomenon of increased inequality among groups across national borders - with a degree of homogeneity of inequality at both ends of the income and status ladder, for both highly valued and little valued skills - is an important development. And so is the question of increasing regional differentials and inequalities, within countries, that is also partly due to the functioning of the global economy and is another manifestation of the entanglement of various types of inequality among and within countries.

30. The various dimensions of inequality that are or could be used to measure or assess inequality within countries - from the distribution of income to the distribution of political power and including differences in access to knowledge and technology - are valid to apprise inequality among countries. The Forum, however, was not in a position to dwell at length with these facets of inequality in the world. From available evidence, it concurred with the observation made in its Agenda that inequality within countries had also increased during the last two decades, at least as far as the two ends of the scale are concerned, and most certainly regarding both economic and political inequality. A few facts and trends can usefully be recalled.

31. Measured by the level 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%. At the same time, a larger proportion of the African population has fallen into the bottom quintile of the world distribution of income during the 1990s. Put differently, as 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 some economies as low as \$90; for the 3 billion people in middle-income economies, the average is \$1,920; and for the 971 million in high-income countries, it is \$28,550. Or, 80% of the world's GDP belongs to the one billion people living in rich countries, whereas the other 20% is shared by the five billion people living

in developing countries. Within regions, income inequality among countries has also grown.

32. This increasing income inequality among countries is accompanied by an also growing difference in the ability of various regions and countries to reduce the "absolute" poverty affecting their population. Still according to the World Bank Atlas, and using the \$1 a day indicator, the share of people in developing countries living on less than \$1 a day fell from 40% in 1981 to 21% in 2001, but this average conceals opposite trends in different regions. It seems that East Asia and the Pacific, led by China, had the largest decline in poverty rates, from 58% in 1981 to 16% in 2001, with, as already noted, a parallel worsening of domestic income inequality. There was also a decline of the poverty rates in South Asia, from 52% to 31%, but in Latin America poverty continues to affect around 11% of the population and, in the Middle-East and North Africa, 2-3% throughout the period. And, as it well known, poverty rates rose dramatically in the former Soviet Union and in Central Europe, and, in Africa, the number of people living in dire poverty nearly doubled.

33. In political terms, inequality among countries has certainly not been reduced during this period of transition to a new millennium. Not only has one country gained hegemonic position and the Security Council has kept the same permanent members, but developing countries have seemingly less leverage in world affairs than they had twenty five years ago. They have achieved meager results in their quest for a greater say in the management of the world economy and for the control of private economic and financial forces. Practices on matters of trade and finance are still favoring the most powerful and exceptions to general rules for the benefit of the weak are more reluctantly granted. There are strong inequalities and imbalances in global processes. These processes and modus operandi for the elaboration, implementation and evaluation of regulations and rules that govern the functioning of the world economy are still heavily dominated by the rich countries. In addition, a number of governments are still dependent on official development assistance to run their daily operations. On matters of personal security, people of different regions and countries remain extremely unequal in their degree of exposure to various risks and in their capacity to alleviate the consequences of natural catastrophes or man-made conflicts and violence. And a small or medium size and power developing country has certainly no reason to feel more secure today than twenty years ago in terms of respect by others of the basic attributes of its sovereignty, including its territorial integrity. Among nations, as within countries, the distance between rich and poor, powerful and dependent, is becoming an abyss.

34. The various forms of inequality evoked above might be called "vertical" inequalities. They are the results of the division of the entire population of a country, or of the entire membership of the United Nations, along scales determined by level of income or other variables such as degree of political participation theoretically applicable to all. But there are also forms of "horizontal" inequality or inequity, where comparisons are made between the situations of a-priori identified segments of a population. Sex, age, race or national origin, are prominent cases in point. For comparisons among countries, equivalent would be island, land-locked, size of the territory, or location on the north or



the south of the equator. As pointed out in its Agenda, the Forum recognized that, although slow and uneven, progress has continued to be made in the essential domain of equality between women and men. Significant advances have been made in legislation - primarily in the form of corrections of long standing male biases and outright forms of discrimination against women --, in the provision of education, in the availability of opportunities for work and, though much less, in the respect of the principle of equal pay for equal work, and in the equal access to political processes and institutions. There are still numerous instances of biases, prejudices, discrimination, and very few societies can pretend to have achieved real equality between women and men. Moreover, the recent surge of various forms of religious fundamentalism and secular conservatism represents a threat to the very idea that all human beings have equal rights and responsibilities. But, on the whole, it does seem reasonable to state that the movement towards equality between women and men has not been stopped, or reversed, during this period of otherwise far-reaching transformation.

35. Without discussing it further, the Forum also noted that other forms of "horizontal" equality, notably between "ethnic" groups, or with regard to minorities of various types, tended to gain preeminence on the international and national agendas. A significant example was the recent creation within the United Nations of a forum for indigenous peoples. And, in a number of countries and regions, for example in Asia, the political debate was increasingly concentrated on the relative wealth and social position of groups defined by their ethnicity or race, rather than on the increasing income gap between rich and poor. Clearly, in today's world, inequalities associated with some form of discrimination have a much better chance to be addressed, if not redressed, than have inequalities associated with the functioning of the economy. While being aware of this tendency, the Forum concentrated its attention on explanations for the rise of "vertical" forms of inequality, notably in income and wealth.

## **II INTERPRETATIONS OF THE RISE IN INCOME AND RELATED FORMS OF INEQUALITY**

36. A preliminary point of methodology and perspective was made. An understanding of the period under consideration - roughly from the mid-1980s to the current time - and of the changes that it represents notably on matters of distribution and on the relations between distribution and economic growth, requires a post World-War II historical perspective. It is important to realize that inequalities in the world declined between the 1950s and the 1980s and that there was also significant economic growth during that period, not only in the OECD countries and in Asia but also in Latin America and in Africa. Growth with equity was an objective endorsed by academics, governments and international organizations alike and concrete advances were made in its realization. There is a general agreement that a rupture, a geo-political change of great magnitude took place during the 1980s, but an informed judgment on the characteristics/achievements/problems and prospects of this new area demands familiarity with the preceding era. This historical perspective would also be useful for the assessment of the implementation of the commitments made in Copenhagen at the World

Summit for Social Development. In 1995, the great transformation of the international scene was already unfolding.

**(i) Inequalities reducing social mobility and creating social fragmentation**

37. That an aspect of this geo-political transformation was the aggravation of inequalities, conceived and measured in classical terms of position of individuals, households, social groups and nations on income and various other ladders, cannot be easily denied. Participants in the Forum said, or implied in the tone of their comments, that this was an extremely important development, morally unacceptable and a potential source of great instability. Matters of equity and equality are at the core of any social fabric, be it that of a nation or of a community of nations. They are not merely complex subjects of interesting inquiries and debates. The words "matters of life and death" were used, and, in this gathering of like-minded political economists, politicians, and socially engaged intellectuals, these words did not sound grandiloquent and excessively dramatic. There are the innumerable lives hampered and too often destroyed not only, and perhaps not mainly by extreme poverty but by humiliation, lack of hope, lack of meaning and lack of that element of social recognition that is indispensable to any man and woman. There are the chances never given and the talents never developed that represent a terrible individual loss and a scandalous social waste. And there are two related consequences/facets of the rise of inequality that were seen during this Forum as particularly troubling: a brake to social mobility and an increased fragmentation of societies.

38. For their harmonious functioning - and perhaps for their very survival under conditions of freedom and creativity - most societies require a degree of social mobility, within a given generation and even more so from one generation to the next. Education, often accompanied - particularly in still predominantly rural societies -- with geographical mobility, has traditionally been the privileged means to move from a particular station of life to a better one. And, for the children of the poor, of the uneducated, and of all those that for one reason or another could not fulfill their professional and social aspirations, education remains the only avenue to a decent life. But, as noted earlier in this Report with quantified examples from Latin America, there is evidence that primary and secondary schools are less and less playing this uplifting role for the children of the underprivileged. There are problems of access and problems of quality and also, probably, issues of diminishing role of the school in relation to other stimuli and formative influences. In affluent countries the returns of education seems to be increasingly inequitable. There, notably in Western Europe where questions of inequality and social mobility have long interested social scientists and public authorities, a certain rigidity of social stratification appears to be growing concern. In the United States of America, a narrowing of the gender gap and a strong intergenerational mobility continue to characterize this traditional land of opportunities, but the increase in inequality among social and occupational groups is affecting intra-generational mobility. An average individual has now statistically less chances to move upward on the social ladder than twenty-five years ago.

39. Further, lack of social mobility, combined with high income inequality, leads to a segmentation of societies. Social groups identified by their level of income and wealth, or by their location in urban and rural, or coastal and inland areas, or by the common origins of their members, or by a combination of several of these and other factors, become de facto separated. They coexist, more or less peacefully, within the borders of a country but they have less and less in common and do not communicate with each other. Such segmentation or atomization of society - the exact opposite of the social integration and social cohesion advocated by the Social Summit - is a prelude to social disintegration which in turn is one of the surest roads towards authoritarian and dictatorial regimes. The keeping together of peoples without common economic interests, common social and civic values and common aspirations, cannot be sustained while respecting human rights and fundamental freedoms. The Forum saw the social and economic systems that are being built since a few decades, with their neglect of distributive and redistributive policies and their gradual or brutal abandonment of the principle of universality of social programmes and benefits, as conducive to the segmentation and breaking down of societies.

40. Is the overall aggravation of inequalities among countries also entailing a further segmentation of the world that would be incompatible with the creation of a just and peaceful world order? In the formulation of this question are several judgments and assumptions that might be briefly recalled. The words "overall aggravation" implies that facts such as the growing economic and political power of a few large and densely populated countries, or tendencies such as the spreading of regimes with elections, are considered relatively less important than the rise of an hegemonic power and the growing income gap between the affluent countries and the poor countries. A "further segmentation" signifies that the world is currently fragmented and that a concept such as a world or international "community" does not reflect an actual situation but an evocation of fugitive periods of a recent past, or an aspiration, or, more commonly, a shortcut to designate the complex network of diplomatic and other relationships that characterizes the work of the United Nations and other international organizations. The "creation" of a just and peaceful world "order" is a legitimate and meaningful project for those who believe that the present disorder is replete with abuses of power, injustices, human suffering and enormous dangers, and that a deliberate, purposeful and collective construction of processes and institutions involving nation-states and other actors is a necessity. There are, obviously, different conceptions of world affairs. But participants in the Forum did share the judgment and the conviction that the present inequality among countries ought to be reduced, as a valid objective in itself and to facilitate an international cooperation made imperative by the present problems and threats.

#### **(ii) Indifference to the rise of inequalities and the reasons for this attitude**

41. If the aggravation of inequalities, within and among countries is real, and, as participants in the Forum believed, a matter of great consequence, why is so little attention given to it? This apparent inconsistency was the next and central issue that the

Forum had to address in its effort at interpreting and hopefully understanding the rise of inequality in an increasingly interdependent world. What is the evidence that inequality is a neglected subject?

42. It was pointed out that the words "equity" and "equality" have disappeared from the language in which matters of development and international cooperation are discussed and negotiated in international circles. So have the words "empathy", "compassion" and "solidarity". A language of management, business transactions and business efficiency now dominates the international and global discourse on how to address problems of underdevelopment and poverty. Peoples are perceived as "target-groups" and improvements in their living conditions are measured as "outputs" of projects. Domestic policies are supposed to create a "climate" favorable to investments and business activities in general. This corporate language is juxtaposed with, or perhaps one should say immersed into a language calling for good governance, respect for human rights and promotion of democracy. But the most commonly used of these notions, good governance, while implying the rule of law and presumably also equality of rights and avoidance of discrimination, mainly connotes absence of corruption and accountability and "transparency" of public institutions. References to human rights are made in a context of lack of means of the United Nations to enforce the observance of these rights and of great reluctance of a number of developed countries to accept economic, social and cultural rights as inseparable from civil and political rights. And democracy is understood as the creation of political structures and institutions ensuring the freedom of individuals and the selection of political representatives and leaders through elections, but not as a system through which inequalities of individuals and social groups or classes are corrected to the extent possible by distributive and redistributive policies.

43. The Millennium Declaration, currently the most widely accepted international text, and the subsequent Millennium Development Goals, illustrate this low status of the notion of equality in the current international discourse. Equality, one of the six "fundamental values" considered in the Declaration as "essential to international relations in the twenty-first century", is defined as follows: "No individual and no nation must be denied the opportunity to benefit from development. The equal rights and opportunities of women and men must be assured." This is a considerably narrower approach to equality than the one adopted by the World Summit for Social Development. Moreover, except for gender equality, there is little reflection of this value in the section of the Declaration on Development and poverty eradication, except to consider the objectives on halving extreme poverty by 2015 and promoting access to education and health services as pertaining to the reduction of inequalities. The Forum, however, as will be taken again later in this Report, drew a firm distinction between the current emphasis on poverty eradication and traditional efforts at reducing inequalities. As to the Millennium Development Goals and the related targets and indicators, again with the exception of the promotion of gender equality, they do not reflect any apparent interest in issues of equity and equality, neither within societies nor among countries. The eighth and last goal, entitled "Develop a global partnership for development", does not include the notion that a reduction of the gap between countries at different levels of income and economic development remains an objective of international cooperation. Less inequality in the

management of the world economy and world affairs is also ignored. Even the trading and financial system, said to be in need of being more open, rule based, predictable and non-discriminatory, is apparently not supposed to be more equitable. And, in line with the focus on poverty eradication, the global partnership for development is essentially oriented towards the need of the least developed countries.

44. A further evidence of the current lack of interest to questions of inequality in official circles is that the notions of "social development" and "social policy" are absent from the Millennium Declaration and the Millennium Development Goals. There is only one reference to "economic and social development" in the Declaration and this is in the paragraph concerning the strengthening of cooperation between the United Nations and national parliaments through their world organization. For some, this silence is nothing more than a matter of semantics. The words are not mentioned, it is argued, perhaps because they evoke a period of unwarranted belief in the legitimacy and feasibility of state intervention in human affairs, and also because they are subsumed under the concepts of "development", or "sustainable development", but their content is very much there. Actually, as this reasoning goes, the Millennium Declaration and Goals with their normative framework as well as their objectives and targets on the reduction of poverty and also on a variety of issues such as education, health, gender equality, the protection of children and the human rights of migrants, are essentially "social" in their orientations and ambitions. And there is no need to refer explicitly to social development or to the World Summit of Copenhagen because the contribution of this conference to a holistic vision of development and international cooperation has been integrated in the Millennium Declaration and made "operational" through the Millennium Development Goals.

45. There is however a different interpretation of the current discretion of international documents and debates regarding social development and social policy. What is rejected, deliberately or implicitly, by those who avoid the use of these notions is indeed the very idea of purposeful public action to control and correct the free interplay of market forces and orient economic activity towards social justice, solidarity and social cohesion. In the always delicate search for a balance between individual freedom and responsibility towards the collectivity, to ignore social development is to think and act as if the mere addition of individual decisions motivated by the quest for happiness, security and personal aggrandizement would automatically lead to a prosperous and cohesive society. This assumption, however, is not supported by historical or current evidence. And, to transpose this conception of freedom to the international level is either to believe that there is no alternative to a "natural" alternation of hegemonic powers, wars and periods of peace, or to assume that the intercourse of the political, economic and financial interests and forces that crisscrossed an increasingly globalized world will somehow automatically create a reasonably peaceful and harmonious international community. For the proponents of social development the first option is unacceptable and the second reveals either a naive optimism or a thinly veiled acceptance of the present disorder. At the heart of the notion of social development is the idea that distributive and redistributive policies are desirable, possible and in fact indispensable at both the national and the international levels. Such an idea, inspired by the socialist doctrine and put into

practice since the beginning of the 20th century by socialist, social-democratic and “social-liberal” regimes, is at odds with the currently dominant ideological current. Hence the mention during the Forum of a global collapse of social policy.

46. For, as already stressed in this Report, a doctrinal, political and ideological shift of great magnitude has indeed swept the world during the 1980s. Prepared by various intellectual currents, one of which having been the rise of the monetarist school among economists, made possible by the coming to power in the United States of America and in the United Kingdom of political leaders with a conservative and in many respects both reactionary and revolutionary agenda, greatly facilitated in its dissemination throughout the world by the collapse of the Soviet Union, this ideological shift gave preeminence to the freedom of market forces in the organization of society. Perceived obstacles to such freedom, such as the balancing power of trade-unions, or the taxation of capital, or the control of the movement of such capital across borders, or, in general, the public regulation of the activities of private corporations, were successfully combated and to a large extent eliminated. The idea, dominant in national and international intellectual and political circles since the Great Economic Depression of the 1930s, that the State had precise responsibilities in the economic and social domains that could include the public appropriation of certain means of production and in any case interventionist economic policies and extensive redistributive policies financed by progressive taxation, was replaced by a laissez-faire political philosophy. Some countries and regions resisted the most radical aspects of this political philosophy and attempted to keep different varieties of mixed economy, but the whole world was affected by very important changes in power relationships. Capital gained power over labor, management over employees, financiers over entrepreneurs, the private sector over the public sector, private interests over the public or common good, and, in the same logic, rich and powerful countries reestablished quasi colonial relations of domination and exploitation vis-a-vis their poor and weaker "partners". Growth with equity, the motto that had informed many national policies and the developmental work of the United Nations, lost its appeal and, for the most powerful voices on the international scene, its relevance. So did social development, social policy, and their traditional objective of reduction of inequalities.

### **(iii) Reduction of poverty and reduction of inequalities**

47. For many reasons, the emphasis on the reduction and elimination of poverty is consistent with this neglect of social development and of the question of inequality. Singling out the poor as a group -identified for instance as those having less than one dollar a day - creates a dichotomy between the "poor" and the "non-poor." This can easily lead to segregation in the minds and attitudes of both the poor themselves and of those who cohabit with them or are "in charge" of them. There is one short step between the public focus on absolute or extreme poverty and various forms of populism. And the major drawback of organized public charity remains the treatment of people as dependents. Examples of patronage leading to subordination and situation of quasi-slavery were mentioned. To be designated as poor, to see oneself as a "different" person, is "disempowering." Psychologically and sociologically, this approach is one of the worst

sources of inequality. All the more so that, at least in the Western political culture, the traditional image of the poor being responsible for their poverty because of laziness, lack of ambition, stupidity or intemperance, has regained a visibility that decades of progressive thinking and policies had succeeded to erase at least as an intellectual and emotional basis for public action.

48. Quite logically, if the poor are considered as somehow deserving their situation, so do the non-poor and especially the rich. With the global spread of corporate capitalism, recent decades have brought an aggressive reaffirmation of the legitimacy of rapid enrichment in societies that have long seen it as a sign of divine blessing and a rehabilitation of the same enrichment in cultures with catholic and socialist traditions. Voices criticizing the salaries and benefits of chief executives of corporations and the abyss that now separate their levels of living from those of employees and workers are muted and altogether ignored. Yet, attitudes towards wealth and its uses, while being rarely amenable to simple assessments and judgments are critical at all times and for all societies. There are moral issues, stemming from the obligations and responsibilities that most traditional philosophies and religions assigned to those that have more than others. There are political issues, related to the difficulty that states encounter in maintaining or establishing progressive tax systems and redistributive policies when the rich have an unmitigated power and influence. And there are economic issues, pertaining to the use of wealth for consumption or for investment. It was pointed out that capital formation remains a key in all societies for sustained economic prosperity and development in general, including the prevention and reduction of poverty and inequality. Why some countries invest more than others is an important and difficult question and the behavior of the rich 10, 5, or 2% of the population is obviously one of the decisive factors. There is no automatic link between the rise of profits and the propensity to, save and invest productively. The view that if a minority of people gets rich, society will automatically get richer, is not always verified either. It seems that if a minority of the population owns too large a share of the national income, capital formation goes down. In the Keynesian tradition, investment should be seen as a social tax on profit. Socially and economically, investment legitimizes a certain concentration of income and wealth. Today however, with the contraction of the state, and/or its close complicity with corporate interests, the rich and the powerful have little incentive to change their attitudes towards the poor and powerless.

49. Discriminatory by nature, the poor/non poor dichotomy is also artificial. It does not correspond to the reality of poverty. The poor, even when identified through an apparently simple income criterion, do not constitute an unchanging group. True enough, there are people who stay poor all their lives, and there are even families in poverty through successive generations, but there also people who move in and out of poverty, people who are so destitute and so marginalized that they are outside society and its institutions, and people who, while being just above the defining threshold, are experiencing much of the same living conditions than those below the poverty line. It was noted that, for instance in Indonesia in recent years, 65% of the households went in poverty at one moment or another. Under such circumstances, who are the poor? Those, government officials or international civil servants, who design and use methods to

identify the poor and the non-poor are obviously aware of such facts that severely limit the pertinence of this dichotomy. And efforts are made to avoid excessive rigidities, notably by relying on local methods of information to identify those who are in extreme poverty. But this awareness does not eliminate the dangers and limitations inherent to the use of a too simple distinction to comprehend and act upon a complex social phenomenon.

50. Singling out the poor as a group automatically lead to targets and targeted measures and policies. As compared with comprehensive policies and systems of public intervention, targeted strategies and measures present a number of problems. The history of targeting shows that it has almost invariably been used as a device to rationalize and make politically acceptable cuts in public spending. When public spending, particularly central government spending, is considered excessive by the political authorities decisions are made to reduce or dismantle social programmes and schemes with a universal coverage and to replace them with programmes and benefits aimed at specific categories of the population, most commonly people in poverty and/or victims of various types of discrimination. Targeting is often a lever to cut social expenditures. Typical examples are the replacement of free or low cost education or health services by dual types of facilities and services: onerous for "all", considered as "customers", and subsidized and low-cost for the poor, treated as "beneficiaries". These decisions are often prompted by the pressure of the private sector on the grounds that the less national income is "diverted" towards public goods the more will be available for investment and the creation of wealth. Developing countries have also, lately, been under similar pressure from national and transnational private interests and from international financial organizations.

51. Today as in the past, the argument that targeting is necessary for lack of resources is not based on technical and objective reasons. Most countries, including developing countries, were relatively more wealthy in the 1990s than they were in the 1970s and *a-fortiori* in the 1950s and 1960s when comprehensive welfare schemes were put in place or at least seen as an objective to be reached as soon as possible. Decisions on the size of the national income allocated for public use and on the relative priority of various objects of public expenditure and public transfers reflect political choices and have economic and social consequences. For one, social integration and social cohesion are clearly facilitated by public universal social schemes and social benefits. And there is little doubt that the reduction of inequalities requires comprehensive economic and social policies. The Forum also noted that targeted policies tend to be relatively more costly to administer than policies which are part of the overall regular governmental operations. The choice of the policy instruments through which the "targets" can be reached, as well as the choice of the appropriate administering institutions, are often problematic. Singling out and targeting the poor is to perpetuate poverty.

52. While emphasizing the halving of extreme poverty by 2015, the Millennium Declaration and the Millennium Development Goals are extremely discreet on the causes of poverty and on the policies that could prevent or reduce it. This might be attributed to the brevity of these documents, as compared to the text adopted by the World Summit for



Social Development with its elaborated Declaration and comprehensive Programme of Action, the latter including a twenty pages chapter on the Eradication of Poverty with sections covering notably the formulation of integrated strategies and the question of improved access to productive resources and infrastructure. In fact, in the Copenhagen Declaration itself, reduction of overall poverty, reduction of inequalities and eradication of absolute poverty are presented together as requiring comprehensive national policies - in developing, developed as well as transition countries -- and international support, with focus on addressing the root causes of poverty, on ensuring that people have access to credit, land, education, training, technology, knowledge, information as well as public services, and participate in decision making on a policy and regulatory environment that would enable them to benefit from expanding employment and economic opportunities. The silence of the Millennium documents on such matters, and the lack of explicit reference to previous agreements such as those reached in Copenhagen, Geneva, or, before these, Rio de Janeiro, might also be explained, apart from care for concision and sharpness, by the political impossibility for the United Nations Secretariat to obtain in 2000 a consensus on a text that would have called for strong forms of public intervention in the economic and social structures and events of the world. In any case, absence of causal analyses and policy prescriptions means, in political and substantive terms, de facto acceptance of the currently dominant views as formulated and put in practice by the prominent powers and by the most influential international organizations.

53. Concretely, in the perspective set by the Millennium Development Goals, reduction of poverty and development, the two being often identified, are to be achieved by the traditional "trickle down" effects of economic growth, itself facilitated by investment, trade and the overall liberation of economic forces. The Forum saw growth as indeed indispensable for progress in levels of welfare and poverty reduction, but it noted in this regard two negative features of recent trends in the world economy.

- Firstly, rates of economic growth were in the 1980s and 1990s on average below those achieved in the 1960s and 1970s, and, most conspicuously, these recent rates were extremely unevenly distributed. Apart from the former Soviet Union and Eastern and Central Europe, there was no growth in most of Africa and of Latin America -- in the latter region, income per capita was on average the same in 2003 than in 1998 - whereas large parts of Asia grew very fast and significantly reduced their levels of extreme poverty. By contrast, there was no such unevenness of economic performance in the previous period: growth occurred in the Third World in the 1960s and 1970s, including in Latin America and in Africa, and so did levels of living, at least when demographic pressures were not too extreme.
- Secondly, recent types, or patterns of economic growth have often been unfavorable to reduction of poverty and a fortiori to reduction of inequality. The neglect of structural issues, itself partly attributable to a neglect of the role of the State, is not conducive to the sustained and balanced economic development that is required for employment creation and overall progress in levels of living. The composition of growth matters as much as its rate when the objective of a country

is long-term and inclusive development. It was pointed out that the aim of economic growth had been lost. Economic policies have tended to ignore and run counter to social objectives, these being understood as centered on issues of equity, equality, work and employment, participation and social cohesion. And, one might legitimately ask if there is any example of a developing country having followed the prescriptions of the doctrine known as the Washington Consensus and having at the same time experienced the type of sustained growth that is indispensable to prevent and reduce poverty.

54. The changes in ideas, language and political orientations that, starting in the 1980s, transformed the world and the associated changes in the conception of the paths leading towards a betterment of the human condition, including the emphasis on private rather than public action and the concentration on the elimination of extreme poverty rather than on strategies for overall development, are unquestionably among the fundamental causes of the aggravation of inequalities and of the apparent lack of concern of the political establishment for this feature of the present global landscape. But there are more direct causes, stemming from the specific policies that governments undertook in this global intellectual and political atmosphere. Three types of situations and policies were identified by the Forum: there are those countries and governments that promoted policies generating, inter-alia, more inequality, those that resisted the dominant current and were at least able to avoid an aggravation of inequality in income distribution, and those, the majority, that, interested or not by issues of equity and equality, were not in a position to resist this dominant current.

#### **(iv) The direct role of policies in accounting for the rise of inequalities**

55. The countries, above all the United States of America, that have given its shape and orientations to the global political agenda of the last quarter of the 20th century, have pursued domestic policies of economic deregulation and laissez-faire of market forces in social relations, social structures and social institutions. In a very different economic, social and political context, the countries of the former Soviet Union and Central and Eastern Europe have also given freedom to capitalist forces, and, again in a different context, major countries of Asia, notably China and to some extent India, and also Pakistan, have, with many nuances, done the same. In these different countries, as noted in the first part of this Report, income inequality has worsened. This was a logical, and accepted if not wholly intended, consequence of the priority given to the free, or freer interplay of economic and financial powers. And, especially in the developed OECD countries that have followed this path, the following policy ingredients were present to varying degree: on tax structures, a reduction in their progressiveness, including through a shift from direct to indirect taxes, a fall in the average income tax rates through cuts at the top of the income distribution, and a reduction of corporate taxes and taxes on unearned income; on public expenditures, a reduction of the share of universal social programmes, such as unemployment compensation and old-age pensions, thus diminishing public transfers to low-income households; on finance, a deregulation provoking a shift in the distribution of national income in favor of profits and revenues

and rents derived from financial transactions, including speculation; and, on the power of different socio-economic groups and classes, an actively promoted decline of the trade-unions that had numerous consequences. Among these, were a lessen resistance to insecurity of employment - imposed by the employers under the rationale of the flexibility of the labor force required by economic competition, a de facto prohibition of the right to strike and the neglect of labor standards and minimum wages, and the political feasibility for governments and employers to slice the proportion of national income going to labor.

56. In most cases, starting obviously with the United States and the United Kingdom, these policies creating more inequality were conducted by democratically elected governments. In fact, these governments gain a majority of popular votes on a platform of less public intervention and regulation and more freedom for *homo oeconomicus* and the enterprises and corporations it creates. It was also noted that the media, dominated as they are increasingly by corporate interests when they are not simply a voice of the State, had played a big role in convincing middle and lower social classes and groups that policy choices were severely restrained by the demands of economic openness and competition. Important also was the fact, not forgotten by the media and influential analysts, that equality - of income and more generally of conditions and prospects - was associated with Communism in the Soviet Union and the Cultural Revolution in China. Superficial and often dishonest but always politically powerful associations were made between these failed and often tragic experiences and the very idea of redistributive policy. And, perhaps above all, the most influential country of the period, the United States of America, has traditionally given much importance to equality of rights and equality of opportunities and little to equality of income and wealth.

57. A different political and cultural tradition also probably explains that a majority of Western European countries, and also the Republic of Korea and a few countries of Latin America, managed to keep stable or even make more even the distribution of income of their population, as measured by the method of the Gini coefficient. Governments of Western, Northern, and Southern European countries belonging to the European Union, and holding political philosophies ranging from conservative liberalism to social democracy, opened further their economies to foreign capital and influence, privatized a number of public assets, and in general espoused the basic tenets of the neo-liberal orthodoxy, while keeping under check the influence of corporate and financial circles and maintaining some balance between the interests of the rich and the needs of the majority of their population. They refrain from writing off from their social and political processes unions that were already weakened by the loss of their traditional industrial base. They kept forms of collective bargaining on the distribution between labor and capital of the fruits of economic growth. They maintain the basic features of their tax and welfare systems. Their governments continued to act on the assumption that the general interest was more than the sum of the private interests that had enough power to be heard. They tried to harmonize the requirements of social cohesion with the needs of private economic initiative and entrepreneurship.

58. This overall balancing act between economic freedom and the prevention of "unacceptable" levels of income inequality was made possible by the initial conditions that prevailed in these various countries at the time of the unfolding of the great and global ideological shift. Of particular importance were the weighty social institutions, notably the universal social programmes and social security systems, established after World War II. And the attachment of the populations to these systems and their benefits was a political factor that could not be ignored. In the specific case of the Republic of Korea, a tradition of state intervention and economic and social protection was said to partly explain why this country could accept foreign investment, experience economic growth and development, and overcome the financial crisis of the late 1990s, while keeping a relatively equal distribution of the national income among its social groups. Yet, such "initial conditions" favorable to growth and equity also obtained in a number of the countries of the first group mentioned above, those that accepted or promoted a more uneven distribution of income among their citizens. Australia and New Zealand are the most obvious cases in point. These countries enjoy political institutions geared towards the search of the common good and political processes allowing for debates, negotiations and compromises. And they had comprehensive welfare systems. Accounting for their recent experience of acceptance by a majority of their electorates of an increasingly unequal distribution of income among their citizens, calls for analyses of political traditions and cultures. During the Forum, the shortcut of "Anglo-Saxon" heritage and mentality, as opposed to "other" political cultures, was used. Also mentioned were the contrasted intellectual and political heritages of Rousseau and Locke, and the teachings of Gunnar Myrdal versus the prescriptions of Milton Friedman.

59. In any case, it would be imprudent to draw too precise conclusions from these examples of countries having kept stable or even improved their income distribution during these last decades. First of all, refined analyses of the data are always necessary because techniques of the measurement of income distribution such as the Gini coefficient mask changes such as the further enrichment of the richest 0.5 or 1%, or the further impoverishment of an equivalent proportion of households at the bottom of the income scale. More importantly, even in these countries there is evidence or at least suspicion that other elements of the equity/equality equation evolved negatively, at least from the viewpoint of those favoring a reduction of inequalities. This is clearly the case for the distribution of assets, for access to services and for access to work and employment opportunities. Also, proponents of less inequality in the distribution of income and wealth are everywhere politically on the defensive. Then, is the observed resistance of a few European and other countries to the trend towards increasing inequality in the distribution of income a temporary anomaly? Or, is it demonstrating that economic openness is compatible with different social and political options? The Forum felt at least authorized to conclude that under the right conditions governments and societies had some options open to them. Interdependence does not necessarily mean unconditional adherence to the dominant views and currents.

60. Options were not open, or not perceived as being open, to the third group of countries corresponding roughly to the developing world at the exception of the large countries of Asia and including the countries of Central Asia that were part of the Soviet

Union. Large and small, and representing a great variety of economic, social and political conditions, these countries had and still have in common a limited weight and say in world affairs and a limited capacity to conceive and implement their own policies. This situation is of course relative, for in an interdependent world no country except the very powerful has full autonomy, but there is still a clear political line of demarcation between the "developing" and the developed" category. When, to use the words of a then leader of a large developing country, neo-liberalism became "the only game in town", developing countries had little choice but to open further their economies and societies to the "market", that is to transnational investors and companies and to international financial institutions. States were pressed to reduce or to avoid building their control over the interplay of foreign and domestic economic and financial forces. Such free interplay, without the checks and balances provided by distributive and redistributive public policies - "distribution" and "redistribution" being understood comprehensively to include not only income but also power and influence - automatically leads to more economic and social differentiation and more inequality.

61. A number of governments of developing countries were unconcerned by, or accomplice with these strategies that, in line with the spirit of the time, were maintaining domestic structures or power or even aggravating inequalities. Some, benefiting for example of the large revenue yield by the export of oil or another commodity in high demand, failed to use these revenues in an economic or socially productive manner. Often, what might be called the dynamic factors of an economy were neglected. It would be fallacious to see the developing world of the 1980s and the 1990s as simply the helpless victim of global forces. And faulty domestic regimes and policies existed around the world before and after the great transformation of the 1980s. But it remains true that governments of the developing world were told by the proponents of the neo-liberal approach that the aggravation of inequalities, and even often of absolute poverty, brought by this approach, either did not really matter or was a necessary but temporary phase of the process of capital accumulation and development. Now developed countries had also gone through this initial phase. It seems, however, that such evolution, known as the "Kuznets hypothesis", no longer obtain in the world economy of today. But the essential point here is that a majority of governments of the world, convinced or not of the advantages they would draw from an "integration" in the world economy through the freeing of market forces, felt that they had no option but to pursue a course of action leading, *inter-alia*, to more income and wealth inequality in their societies. The Forum felt that this was a legitimate conclusion, though with the important caveat that it did not have the opportunity to examine the experience of a few developing countries with a socialist or communist regime, notably the Socialist Republic of Vietnam and Cuba.

62. The same ideas, attitudes and policies that, imposed upon or accepted *nolens volens* by a majority of developing countries were a source of the aggravation of inequalities within these countries, were also the main cause of the deepening inequality between the rich and poor parts of the world. As formulated in the Millennium Declaration and Millennium Development Goals, and in texts such as the Monterey Consensus of the International Conference on Financing for Development, the relations between the North and the South rest essentially on the idea that developing countries

ought to be integrated into a global economy governed by liberal principles. Various partnerships, involving governments, corporations and organizations of the civil society are channels for this integration. Voluntary partnerships are preferred to formal agreements and the development of international regulations and law. Trade and foreign private investment are to play an essential role. The traditional forms of international cooperation between affluent and poor -official development assistance, debt reduction, technical assistance, and preferential treatment in trade and other aspects of economic and financial relations - are still on the international agenda but with limited support from the most influential countries and institutions. An open and neutral playing field, involving players of very uneven strength, leads quite naturally to a domination of the strongest.

63. Overall, the Forum interpreted the aggravation of various forms of inequality as an intrinsic part of the rather drastic change of ideas and policies that occurred in the 1980s. Liberalism is based on the principle of equality of rights and on the idea that the opportunities that all human beings should enjoy, notably in the economic domain, should not be hampered by any form of discrimination. Under the influence of Marxism and Socialism, a more demanding conception of equality of opportunities, based on the fact that people are born with various endowments and limitations, and above all are exposed to very unequal social milieus and influences, notably during their formative years, permeated the world in the course of the 20th century. Economic liberalism became compatible with public intervention to effectively equalize opportunities through actions aimed at correcting inequalities at birth and inequalities resulting from misfortunes and accidents of life. These public interventions brought the search for equality of opportunities very close and sometimes indistinguishable from the search for equality of conditions. Redistributive policies became mixed with measures aiming at eliminating various forms of discrimination. To a large extent, this mix defined social-democracy. With the resurrection of "pure" liberalism, the view that equity means nothing more than the treatment by society of each according to his or her talents and merits also regained intellectual and political prominence. Equality, or rather more equality in the distribution of income, or wealth or power should accordingly not be sought or imposed by public authorities. It would disturb the "natural order" resulting from the exercise of freedom within the limits permitted by laws and customs. And, charity and assistance are available to express the human sympathy of the fortunate towards the less fortunate.

64. This political philosophy has the same characteristics and the same consequences at the domestic and at the international levels. And openness in itself, if not corrected, oriented and balanced by corrective policies emanating from governments and from international organizations lead to inequality of individuals, of groups and of countries. The Forum heard that social democracy was, at present, dead internationally. But, at the same time, participants remained convinced that current trends and policies were leading to impasses and unsustainable imbalances and disharmonies. They saw the recent dominance of issues of security in the world as one of the signs that a change of course was urgently needed. Violence, conflicts, contempt for the human rights of individuals and the rule of law are not separable from the various forms of injustice that beset the

world. The Forum believed that the reduction of inequalities, at all levels, was a duty of both national governments and international organizations.

### **III NATIONAL POLICIES TO REDUCE INEQUALITIES**

65. Not all governments ignored this duty during the last decades. Examples of maintenance and even of improvement of patterns of income distribution show that the economic and political openness and adoption of the basic values of a market economy are compatible with the search for equity, the reduction of inequalities and the elimination of extreme poverty. Some of these examples are from countries classified as developing, others, actually most of them, are from affluent countries wholly engaged in the process of globalization of the world economy. Countries and governments have actually a broader margin of initiative than what is commonly believed. To exert such initiative in order to prevent the rise of inequalities, or to reduce them, is, it is often said, a matter of “political will”. The Forum identified three elements that are indispensable for the concretization of this will by societies interested in the issues of equity and equality: strong, efficient, open and participatory public institutions; a comprehensive and enlightened approach to development; and the overcoming of obstacles created by the international and global environment.

#### **(i) Strong, efficient, open and participatory public institutions**

66. The weakening of the idea that an active and efficient State is necessary to ensure the freedom and prosperity of the citizens of a nation was considered by the Forum as one of the most unfortunate and damaging aspects of the political and ideological transformation that swept through the world during the last part of the 20th century. The rejection of a totalitarian and authoritarian view of the State and the demand for respect for the fundamental rights and freedoms of individuals, including the right to exert one’s initiative to work and create goods and wealth, were amply justified and indeed made necessary by the need to draw the proper lessons from the cataclysmic events and atrocities that marked this same 20th century. Fascism, Nazism and Communism created enormous sufferings and put a shadow on humanity, its history and its future. But, mixed in the same opprobrium were dictatorial fascist and communist adventures and regimes based on the notion that the state has the right and duty to intervene in the economic activities of its citizens in order to regulate these activities, balance the interests of various social classes and groups, and mobilize enough resources to finance public tasks, including public services. As it was amplified by the media with a massive audience and relayed by powerful governments and international organizations, this message had considerable influence. The international discourse on development became focused on the facilitation of the interplay of domestic and transnational economic forces and the role of public authorities was downplayed. In particular, the Forum noted that the expressions “welfare state” and “developmental state” had disappeared from this discourse and, with them, the lessons from recent history and, in the case of the welfare state, from current practices of a number of Western European countries that developing countries in particular could have drawn upon.

67. Elaborated and implemented in Western Europe after World War II, the welfare state rested on the idea that governments and public authorities had responsibilities vis-à-vis their citizens that extended beyond traditional domains of security and the administration of justice to include protection against various risks and the provision of enough means to enjoy the right to an adequate standard of living inscribed in the Universal Declaration for Human Rights. Compulsory and free of charge education as well as health care were provided to all children to realize equality of opportunities and help social mobility. The distribution of primary income was oriented towards a reduction of inequality through legislated minimum wages, indicative scales of salaries and revenues for different occupations, professions and socio-economic groups, and government promoted and controlled negotiations between employers and workers for the determination of the share of the fruits of growth between labor and the owners of capital. Working conditions were regulated through enforceable norms and regulations. Redistribution of resources in cash and in kind between social classes, age-groups and individuals subjected to different levels and types of risks were effected through progressive tax systems, comprehensive and universal social security systems and the public financing of a number of public services accessible to all at no or minimal cost. Thus, in the welfare state, economic justice was seen as an integral and indispensable component of social justice. And the countries having put in place welfare policies demonstrated that it was possible to progress at the same time towards the implementation of all human rights, civil and political as well as economic, social and cultural.

68. Also in the second part of the 20th century, a number of countries of East and South East Asia, the Republic of Korea being the largest and the most populated among them, embarked on a drive for economic growth and development that was so rapid and so successful as to prompt observers to use expressions such as “tiger countries”, “miracle economies” or, more soberly but also less evocatively, “developmental state”, to characterize their experience. A developmental state was a state in which the government and the public apparatus assumed a determined and consistent leadership to mobilize all sectors and all actors of society towards a clear and comprehensive goal. This goal was the development of economy and society in all their facets. Investment in key sectors of the economy and the resulting economic growth were means towards a much larger end, a facet of which being greater prestige, power and influence on the regional and international scenes. A significant part of the benefits of growth were reinvested and the rest was distributed fairly evenly. This equitable distribution of income – if not of wealth which was and remains rather highly concentrated in this part of the world – was, rather than an end in itself also a means to overall development by facilitating social cohesion and a peaceful social climate. The public and the private sectors worked in close cooperation, in a manner evoking more a division of labor and responsibilities than a compromise between divergent interests and motivations for action. Strategies of developmental states were clear in their goals and pragmatic in the choice of their means.

69. Welfare states still exist, even if they avoid a label now charged with negative connotations of undue protection and lack of economic dynamism (even more negatively



charged is the expression “providential state”, once used as a synonym of welfare state). These states constitute today the majority of Western Europe. Most of them have privatized a number of public assets and undertaken reforms of some aspects of their redistributive policies – for example on unemployment benefits – but their security systems and public services are still in place. The European Commission is promoting the further liberalization of economic activities but at the same time a “European social model” is actively discussed. Similarly, the developmental state, said at the Forum – with much regret -- to be “even more dead” than the welfare state, has nevertheless left part of its spirit and some of its practices in Asia. For instance, the cooperation between public authorities, banks and owners and managers of large companies – denounced in the Western media at the time of the “Asian financial crisis” as evidence of corruption and “crony capitalism” – has not ceased to be a powerful leverage for economic growth.

70. The important point in the context of this discussion, however, is that these experiences having in common states actively involved in the pursuit of growth and equity are no longer present in the international discourse and are not part of the intellectual and political framework used by institutions and experts giving advice to developing countries and outlining the desirable features of a globalized world economy. It is now increasingly recognized that many nations of the world lack the institutions and political and administrative cultures that make strong and efficient states. And it is also recognized that a viable international community requires the cooperation of reasonably autonomous and therefore organized and viable states. But the need for openness of national economies and their integration in a globalized world economy and the related exigencies of competition have dominated reflections and debates to the point of obfuscation of a number of evidences, including the fact that states are indispensable to orient changes towards economic and social progress accessible to all. Welfare and developmental states had also in common, though partly for different reasons, a willingness to put limits on the amount of private income and wealth that could be acquired by individuals and to insist on a collectively useful, or productive use of this wealth. Equally relevant for the problems of the day is the capacity that these states had – and to an extent still have – to use a variety of instruments to elaborate and implement their policies. Under different names, they used plans, economic and econometric models, projections and previsions, forecasts and scenarios to introduce an element of rationality into their processes of decisions. And they relied on a mix of laws, regulations, incentives and negotiations to achieve their objectives. Today, again in the international discourse, the desirability of securing the voluntary cooperation of the most powerful actors is receiving considerable attention. Largely absent is the need for laws and regulations, not to mention models and plans.

71. The current downplaying of the role of the state in the economic and social arrangements of society is concomitant with the emphasis on the participation in public affairs of social groups, organizations and movements that constitute the civil society. More than through representatives in parliament and governments and public servants, the general interest is sought through the addition of sectoral and group’s interests. Grievances are voiced and demands are formulated through lobbies recognized as legitimate and through other means such as demonstrations and public pressures. The

Forum made a number of observations on this trend. Firstly, equality between women and men, implying among other changes a greater participation of women in public life ought to be separated from other developments concerning civil society. This equality is a fundamental human right, a must in a civilized society and an indispensable component of any democratic political system. The increased participation of women in public and political life is a trend that ought to be actively pursued across political regimes and cultures. It was noted that, as a sort of additional benefit to policies promoting equality of political opportunities for women and men, women members of Parliaments are more socially oriented and play a prominent role in pushing for social policies.

72. Secondly, open and participatory states require strong and representative unions able to balance the normally more influential organizations of employers. Also, in practically any political regime, employers and financiers benefit from informal and personal channels of access to governments and public institutions that are not available to workers and employees. The weakening of trade unions is a weakening of democracy and of the possibilities for equity in the sharing of the fruits of development. Aware of the complex set of factors that may account for the decline of these unions, the Forum reiterated its concerns. At the very least governments ought to refrain from actively encouraging this decline. They do so when they allow domestic and transnational companies to ignore internationally recognized rights and norms by prohibiting or effectively preventing the formation of unions in their premises. The globally useful campaign against child labor should not obscure the need for the enforcement of other conventions of the International Labor Organization, including those concerning the right of association. A positive sign is the current effort of the trade unions to unify their international federations and confederations.

73. Thirdly, the increasing presence and influence in the circles of political power of groups and movements representing sectoral interests or views on the organization of society was seen as an ambivalent development from the view point of creating or maintaining strong, efficient, open and participatory public institutions. It certainly suggests a weakening of the traditional form of indirect democracy according to which elected representatives not only represent their local constituencies but seek to articulate the general interest or general will, notably in the framework or organized political parties. In the last quarter of the 20th century, parliaments generally lost part of their power in favor of the executive branch and were increasingly bypassed by direct attempts of these various sectoral groups to influence policy decisions. And political parties generally weakened in their democratic and parliamentary forms. They often became machines to select and elect their members or were challenged by movements based on the mobilization of people around a few simple and generally exclusive and xenophobic slogans. Lately, however, efforts are being made to reverse this trend and to restore the power that parliaments enjoy from the constitutions of democratic states. These efforts are not separable from a revival of democratic political parties. It remains true nevertheless that the general interest has become a problematic notion in most countries. On the positive side, the rise of organizations and movements of civil society is a sign of vitality of a society. Provided respect for the law and also respect for those with different views and interests are maintained, it is a form of direct participation in public affairs in

line with democratic principles. Overall, the Forum felt that popular and group participation in the affairs of a nation is a healthy development that ought to be made compatible with the maintenance of the authority of the state in its legislative, executive and judiciary branches. A participatory and open state apparatus should not be associated with weakness and inability to serve all members of society. This remains a most difficult challenge. All the more so that governments that are prisoners of specific economic interests and subservient to the most powerful social classes tend to be authoritarian on matters of human rights and fundamental freedoms.

74. It was stressed that a number of governments and public institutions have problems of implementation. The technical and political quality of a decision does not guarantee its follow-up. Institutional development is often more complicated and less sustainable at the local than at the central level. The dissemination of public agencies at the regional and local level, aiming in particular at a closer proximity of the administration from the peoples it is its function to serve, is sometimes confused with the decentralization of public functions either to local authorities or to private agents. The latter has received considerable emphasis and praise during the last decades in developed and developing countries. On the other hand, government coherence, and the frequent lack thereof, is very much an issue for the treatment of both domestic and international matters. The Forum had no possibility to discuss further this tension between the need for coherence and the demands of decentralization. It is a question, however, that has a strong bearing on the second component of the “political will” to promote equity and reduce inequalities.

#### **(ii) A comprehensive and enlightened approach to development**

75. An approach to development, here identified with sustainable economic and social progress, might be considered comprehensive and enlightened first if it is geared towards goals and not reduced to means. Development goals are inseparably social and political as they pertain to the living conditions of people and their placement in society. To treat economic growth as a means for social development, as done in the Copenhagen text, is to affirm that this growth should be broad-based, should give work and employment opportunities to all and should have its fruits distributed largely and equitably. In the same logic, investments, to the extent that they are made, or oriented, or encouraged by governments should be such as to offer maximum returns for the collectivity in the short, medium or long terms. And overall economic policies, usually called macro-economic policies, are geared towards development goals not only if they are “sound” – that is if they satisfy technically the criteria of quality as they are best known at a given time – but also if they contribute to the welfare of a maximum number of people taking account the needs of future generations. This is of course a simple statement for an often – but not always, complicated matter open to a variety of interpretations, judgments and decisions. From the perspective of a benevolent state, however, there are indeed technical issues to solve and different interests to balance but intentions do matter enormously. The often elusive political will is made of the motives and objectives of the people in a position of power. To underlie one’s thoughts and decisions with the constant preoccupation with the common good is a powerful leveler of

substantive and political obstacles. It opens possibilities that are often obscured by habits of the mind and a language determined by sectoral or class interests. For instance, there are different types of property rights going beyond the exclusive private enjoyment of one's possessions. And social harmony or social integration requires numerous direct or indirect violations of property rights understood in an individualistic manner. Goal oriented and socially conscious development policies demand a constant balancing of individuals' and groups' versus collective interests and values.

76. A second dimension of a comprehensive and enlightened approach to development is an identifiable social policy. Today, in many developed and developing countries, particularly in those having championed or adopted the neo-liberal views, social policies have a residual character. They are sectoral, focused on specific issues and on individuals and social groups finding themselves in a marginal situation, apart from the mainstream of economy and society. Social protection and social safety-nets have replaced social security. As already noted, social programmes and benefits with a universal coverage have tended to be replaced by targeted measures addressing targeted groups, notably the poor. Even for the reduction of poverty this strategy is deficient, as it also matters how people fell into poverty. Economic and social policies themselves, wrong or insufficient, draw people into poverty. The Forum expressed the conviction that a comprehensive or macro-social policy, on a par with macro-economic policy, was an indispensable instrument for the elimination of extreme poverty, the prevention of its recurrence, the reduction of inequalities, the maintenance of social cohesion, or progress towards any other major societal goal, including sustainable and environmentally sound economic growth. At the national and international levels, in developing, developed countries and in international organizations, starting with the United Nations, a "space" has to be reclaimed, intellectually and politically, for an identifiable and ambitious social policy. This central point of the debate was elaborated as follows:

- Reclaiming social policy and social policies means first regaining the normative debate on social development that was undertaken in the Copenhagen Summit and reviving the core message of this Summit. The current emphasis on "evidence and performance based" policies, measures and outcomes, notably in the context of the Millennium Development Goals, is too "technical" and needs to be balanced and enlightened by reflections and debates on values and broader policy frameworks. Debates on values and debates on effectiveness need to be combined, as it is important to realize and admit that all policy choices reflect values and priorities. More often than not, apparently neutral definitions and technicalities de facto delineate the intellectual, moral and political framework under which discussions are set and decisions are made.
- The reaffirmation of social rights and responsibilities is also part of the needed renaissance of social policy. An emphasis on social rights –those figuring in the two covenants of the Universal Declaration of Human Rights as well as those detailed in ILO conventions and in other regional and national sets of norms – opens scope for social movements and organizations with a political agenda. Charitable individuals and organizations play a critical role in any society and in

the world as a whole, a role far beyond the measure of the value of the resources they distribute. But these organizations, operating as they normally do in a consensual and a-political culture, need to be complemented and challenged by organizations and movements with a political language, agenda and project. In open and democratic societies social progress requires the confrontation of political interests and views. It also requires clarity on responsibilities, those of the public institutions and those of the private sphere. Lately, a withdrawing of the state in socio-economic matters – often paralleled by a growing emphasis on law and order – has been accompanied by a sort of localization and individualization of social responsibilities. Local debates and initiatives on often semi privatized and precariously financed social policies cannot possibly match macro-economic policies supported by national and international financial elites. The grass-rooting and decentralization movement has gone too far to leave room for comprehensive social policies. Also, individualization of responsibilities is not gender neutral, as women bear the essential of reproductive and caring tasks and, in addition, often carry the burden of social savings.

- A comprehensive and consistent social policy needs to be based on a full understanding and use of the various distributive and redistributive instruments that exist in a given society. The distribution of growth matters enormously. As repeatedly emphasized in this Forum economic justice is a condition for economic justice. If the welfare and developmental states evoked earlier were able to lower considerably various forms of inequality and to offer to all their citizens a decent level of living while disposing at least in their early stages of very limited resources, it is because they allocated these resources in relation to their productive use by and benefits for the various groups of their citizenry. Social security systems, in particular, have been and still can be established in low-income settings. Then there are transfers in cash and in kind from efficient and progressive tax systems and the redistributive effects of properly financed public and social services, notably education and health. Today, especially in poor countries, these services are both insufficient and financed in the most regressive manner through mechanisms such as “out of pocket” payments. And social policies cannot be simply a collection of programmes and funds allocated on the basis of demand by “customers”. Redistribution of resources according to needs implies various forms of cross-subsidization within a society, not only among social groups, but among region and between urban and rural areas.
- Lastly, as a result and summary of the above characteristics, a deliberate and ambitious social policy always alters the distribution of power among social groups and classes. The interplay and sum of individual and corporate initiatives that any free society requires lead to imbalances and injustices that a deliberate social policy has the function to limit and correct. The extent of this limitation and correction and the means to be used are to be determined by public authorities democratically elected and democratically controlled.

77. Such means, whether for social policy or for economic policy, have to be diversified. This is the third requirement of a comprehensive and enlightened approach to development. Simple and exclusive strategies, such as the concentration of investments on activities permitting to eliminate imports, or at the opposite end to only promote exports, or strategies of complete economic openness versus the search for autarchy, have consistently exposed their limits. The need for pragmatism and eclecticism in the choice of means – shaped and oriented, to emphasize again this point, by clarity and continuity in the objectives pursued, was illustrated at the Forum by four lessons derived from the successful experience of Asian countries, notably those having experienced a form of developmental state.

- A pro-investment macro-economic framework was obtained through a great array of policies, including carefully oriented fiscal and monetary policies and a range of industrial policies.
- The measures that were adopted to discourage the consumption of luxury goods, and thus limit imports of those goods and domestic investments that would have been affected to their production, ranged from fiscal policies, control of imports, to exhortations and social and political pressure.
- Encouragements to exportation were not done at the expense of domestic consumption and this happy combination was achieved through measures such as high wages, incentives to boost domestic markets, the creation of elaborate labor institutions which promoted a number of effective methods such as systems of bonuses.
- The continuous upgrading of technologies, particularly in high-tech sectors, provided the basis for value added in production. This was obtained through a set of interventionist policies that included education and training and a variety of incentives to domestic entrepreneurs and firms. Selected imports were also used and foreign direct investments were accepted with caution and selectivity.

### **(iii) Overcoming obstacles created by the international and global environment**

78. States that attach a high importance to the reduction or non-aggravation of inequalities within their borders and that have the structures, institutions and strategies to do so, still have to overcome the obstacles created by a currently unfavorable international and global environment. The international environment is unfavorable because a number of the most powerful and most influential nations attach a relatively low priority to questions of equity and equality domestically and even more so in their international agendas. And the most powerful international organizations are on the same line of thinking. To emphasize again this point, the reduction of poverty does not necessarily lead to a reduction of inequalities. Moreover, in recent years, the goal of poverty reduction has itself been side-tracked by preoccupations of domestic and international security. The global environment, as it typically refers to the functioning of the world economy and to ideas and views that constitute the spirit of the time, is also unfavorable to the reduction of inequalities, particularly those pertaining to the distribution of income and wealth.

79. Such external obstacles to national action on matters of equity and equality have been mentioned throughout the first two parts of this Report and only a summary is here in order. Ideas backed up and carried by financial, economic and political power have a tremendous force of persuasion. Since the beginning of the 1980s, such force has been vested to the view that openness of national economies, their integration into a global market, is the surest and quickest way to prosperity. Governments have been encouraged to eliminate the taxes they levied on imports and exports, to let capital circulate freely in and out of their territories, to encourage foreign investment by exempting investors and transnational corporations from a number of fiscal and other obligations, to reduce their expenditure for “non-productive” uses such as subsidies to local producers aiming at making basic goods affordable to their citizens, and, in general, to refrain from intervening into the interplay of market forces, except to facilitate such interplay. Instruments and policies that are necessary to national governments to reduce inequalities and /or to prevent their aggravation were thus presented as old-fashioned impediments to growth and development. In the same logic, the dominant international arrangements and “rules of the game”, in trade, finance, technology, property rights and other aspects of relations among enormously unequal partners have tended to aggravate rather than correct inequalities within and among countries. And, contrary to this liberal logic, national states and national sovereignty are still very much in play when it comes to the free circulation of people across the world. Overall, a good deal of what governments can and cannot do is determined by these global rules and understandings.

80. Ideas and sentiments underlying the presently dominant view of economy, society and world order are propagated by a new world elite made of politicians, corporate managers and financiers, consultants, experts, economists and essayists having at their disposal various media with large dissemination and influence. This elite is both international and national, operating in transnational corporations, international organizations of various types and in national public and private settings. Conventional economic thinking in particular has characteristics that severely limit its contribution to the reduction of inequalities and the prevention of poverty. It ignores complexities resulting from the interplay of social, political and economic factors and from the interdependence of the national and international scenes. It ignores the role of institutions and attitudes in economic outcomes and cannot apprehend, for instance, the biases and asymmetries of a systemic nature that work against the elimination of poverty. It has a tendency to see problems and issues in terms of equilibrium rather than processes, the latter being consistently conflict ridden, and is therefore unable to comprehend the poverty trap in which people find themselves entangled and the mechanisms through which weak economic growth reinforces inequalities. And, it has the habit of focusing on aggregates and averages rather than on analyses of country and case studies and behavior of specific economic actors.

81. Since the values of freedom, initiative, entrepreneurship and competition have an enormous appeal when presented as alternatives to intrusive or incompetent or corrupt government, peoples from middle and poor classes are easily convinced that the neo-liberal message and agenda conveyed by economists and other influent individuals and institutions meets their interests and aspirations. In such context, political parties with an

equalitarian leaning have little chance to be elected unless they “liberalize” their program. And, when in power, they adjust their policies according to their perception of what is required by political survival. Adding to this analysis the observation that a number a countries, under democratic or authoritarian regimes, have simply not the political capacity to resist the international pressure for liberalization and openness, the Forum concluded that it was indeed very difficult for governments interested in the pursuit of equality to overcome the obstacles created by the present international and global environment. Those that are succeeding in maintaining or improving at least their patterns of income distribution benefited, at the beginning of this period extending now for two and half decades, of favorable initial conditions. The countries of Western Europe and Asia mentioned earlier as exceptions to the general trend of growing domestic inequalities, had structures, institutions and political cultures that had been built to pursue growth and equity in parallel and in symbiosis.

82. A plea was made at the Forum for the adoption of renewed forms of economic nationalism by the countries that are not in a position of leadership on the international scene. The rationale for this call is first that the globalization movement is above all the projection at the world level of the economic, political and military interests of the most powerful nations. Economic nationalism on the part of the less powerful would therefore be defensive rather than offensive. It would be an effort to avoid domination, an attempt to transform an imposed interdependence into cooperation among less unequal partners. It would also be recognition of the fact that no country, including the dominant power of today, has ever developed in a sustainable manner without a combination of openness and protection. In many respects, the world is one indeed, notably through common threats, but for a nation, total integration, or absorption in a chaotic and fragmented world “order” would be as suicidal as autarchy, to the extent that the latter has ever existed.

#### **IV The contribution of the United Nations to a reduction of inequalities**

83. What the United Nations **should do** to contribute to a reduction of inequalities, the elimination of extreme poverty and in general the sustainable development and social progress of the entire world community, was forcefully expressed at this Forum.

84. The United Nations must remain the conscience of the world. It is today the last international bastion against a divided humanity. To contribute to the pursuit of equity in an interdependent but fragmented world, it must first of all have a clear ethical message. Humanity is moving on different tracks. There is the fast track where security will be imposed by the strength of the powerful. Those who lag behind, or differ, will inevitably be relegated to exclusion, in rich and poor countries alike. The other way is much more demanding on the United Nations and on all of us; more difficult, but infinitely more promising. It requires from the United Nations the development of a new and comprehensive knowledge that bring together the sources of knowledge that all parts of humanity have to offer. Today, the United Nations is the most open, the most cosmopolitan and the most classless of all international organizations, but it remains far from making a full use of its mandate. For example, it must take into account the reality



of extreme poverty in both the developed and the developing regions and countries. This would remind rich countries that they have failed to eradicate that misery which is an affront to human dignity and to the ideal of democracy and social harmony. It would also help rich countries to be more humble in their relations with poor countries, to consider them more as partners sharing similar concerns than as beneficiaries of aid and assistance. And poor and developing countries would be less tempted to follow blindly a path that lead to unacceptable forms of inequity and inequality.

85. Bringing together the sources of knowledge of all those involved means also to combine, through dialogue and attentive listening of the other in a rich variety of forums, the experiential knowledge that comes from those living in a situation of misery – material misery as well as cultural, social and spiritual misery, the knowledge of those, experts or volunteers, or members of religious organizations who work directly with poor people and poor countries, and the knowledge of those, academics and international civil servants, whose function is to study, analyze, comprehend and put in perspective the realities of our world. A cross-fertilization of these sources of knowledge would allow a better global understanding of poverty, inequality and inequity, that is an understanding where rigor is informed by sympathy and by the imagination that is necessary to treat the “other” as a brother or sister in humanity.

86. The United Nations would remain the conscience of the world and assist in the steering of this world in a promising direction also by placing questions of poverty, inequality and inequity into the framework of fundamental rights and liberties. Those rights and liberties belong to all, affluent and poor, employed and unemployed, educated and ignorant, healthy and disabled. But those in situations of great poverty and great injustice tell us loudly, if we were able to hear them, that human rights are indeed indivisible. There is today a kind of race between globalization – accompanied by conflicts and wars, and the universal application of human rights. Human rights are debated, in the United Nations and elsewhere, as belonging to two different realms, the two Covenants developed from the Universal Declaration. For those who suffer, however, and are struggling for survival and hope, such differentiation is irrelevant. It should also be evident for the United Nations, and this another indication of the need to diversify the sources of knowledge of this organization.

87. In the same vein, the United Nations should assume a leadership role, among the other international organizations and in the world at large. The struggle against HIV/Aids, particularly but not only in Africa, is a prominent example, comparable to the Black Death in Europe in the 1500s, of a scourge against which the United Nations should have an even louder voice than is has now. The Black Death disappeared only in 1706 when Europe was vastly socially integrated and equality was high. HIV/AIDS is related to globalization and inequalities. There is need for a better understanding of why this disease is not fought effectively, integrating socio-economic, cultural and biological factors.

88. The struggle against HIV/AIDS should be part of a global effort of the United Nations at assuming leadership for the promotion of social justice in the world. Social

justice, in many respects has regressed during these last decades, both as a recognized objective of society and, for many people, as a daily experience. Stopping and reversing this dangerous and unacceptable trend demands the commitment of all concerned and the use of all available instruments. There is for instance, in the United Nations context, the Convention on the Rights of the Child, ratified by almost all countries, and with effective mechanisms for monitoring. One should work for the use of such mechanisms for the defense and promotion of social justice as an all-embracing organizational principle of society and the world. In times of adversity, intellectual and political timidity is not a useful approach. Thus, the United Nations should take the lead for governing the process of globalization. Without proper governance this process will continue to create disparities and imbalances, winners and losers, the arrogance of some and the humiliation and resentment of others.

89. Taking the high road for this organization mandated to work for the betterment of the human condition means, in the context of this discussion on social justice, a recognition that the world is divided by an ideological struggle between pro-market and anti-globalization forces. The United Nations has to help orienting this confrontation towards the common good of humankind by impressing on those in power that there are indeed structural problems in the world economy. Issues of inequality, of equity and interdependence, of distribution of resources and opportunities are part of these structural problems, and the question of the reduction of extreme poverty has to be seen in this context. So are issues of inequality among countries, and these do matter. The United Nations ought to give particular attention to inequalities in the processes that lead at the global level to the formulation of the issues and the determination of agendas. Less concern with a rapid and consensual outcome of negotiations would help giving serious consideration to alternative goals, strategies and policies, and the world is very much in need of such alternative paths to development and social progress.

90. Still in the vein of what the United Nations should do, the Forum gave particular attention to the idea of global solidarity. It was stressed that the world ought to be organized around this mobilizing theme of global solidarity, which has a perhaps more immediate appeal than the more abstract concept of social justice. The latter would provide a sort of philosophical and moral foundation to active and concrete forms of solidarity between peoples and nations. Solidarity is perhaps seen as old fashioned in some quarters, but the world needs it. It has macro and micro aspects. At the grass-roots level it manifests itself through the actions of organizations such as UNICEF. The charitable and humanitarian activities of Christian churches are currently estimated at close to \$7 billion. To be global, solidarity needs first to be local. Affluent countries organized along social democratic principles with strong redistributive taxation and welfare systems are those devoting the greatest proportion of their wealth to official development assistance.

91. Aid and assistance, provided routinely and not only in times of catastrophes, is the first expression of global solidarity between the fortunate and the less fortunate. Besides recalling this evidence, however, the United Nations should also insist on the steering of global economic and financial policies towards objectives of international solidarity.

Trade and other macro-economic policies are the main instruments through which such solidarity can be promoted or further eroded. For example, the frequent insistence on “flexible labor markets” as one of the means to foster economic growth and modernization is presently a code word for a reduction of the rights of workers. By spelling out the regressive character and the implications of this type of clause that is often part of the dominant doctrine, the United Nations would help put together the global social policy that is necessary to construct a more equitable world.

92. In order to be a decisive force for the reduction and prevention of inequality and poverty, the United Nations needs to create the political space where such matters as international taxation, or the political and democratic control of the activities of transnational corporations and other economic and financial actors with a global power, or the relations between trade arrangements and the distribution of opportunities for work and employment, or any issue of a similar importance would be debated and acted upon. There is for instance growing agreement that inequality above a certain level impairs economic growth and development. But, at present, the United Nations does not have the authority to research, debate and draw the consequences of this negative relationship. It is often said that the Millennium Development Goals have, in institutional terms, restored the leadership of the United Nations, notably within the family of international organizations and even on the international scene at large. This is indeed the case, but these goals are of modest ambition compared to the commitments taken at the Copenhagen Summit and are not accompanied by policies which would require efforts by the developed countries above what they were doing under the Washington consensus. It was pointed out that much more is demanded from developing countries notably in terms of democracy and good governance. And it was seen as revealing of this imbalance that the current debate on the Millennium Goals be focused on the affluent countries implementing a commitment – the 0.7% of their GNP to ODA – that they agreed upon more than three decades ago. Much more will be needed than a doubling of development assistance to start reversing the trend towards a deepening of inequalities within and among countries, this trend being coupled with a persistence of extreme poverty and the resurgence of intolerance and violence.

93. One of the conditions for the United Nations to play the leading role that the Forum saw necessary is an effective Secretariat. It was stressed that the independence of this Secretariat, an organ of the Charter whose privileges and obligations are outlined in Article 101 of this treaty, is a *sine qua non* for the development of ideas and proposals that can lift international cooperation above the level of least common denominator of divergent views and interests that characterizes intergovernmental negotiations, especially when these are subjected to the constraints of the consensus. This independence, of judgment and expression, guided by the search for the general interest of “we the peoples” and anchored in the professional integrity attached to the very notion of public service, is being systematically eroded, it was asserted, since the beginning of the reform movement of the United Nations that is part of the neo-liberal doctrine. The decline of an independent Secretariat is associated with a growing influence of the private business sector, its ethos and values, within the United Nations. And the otherwise very necessary and very promising better integration of various segments of civil society into

the deliberations of the United Nations and other parts of the family of international organizations is deliberately or inadvertently used to mask the transformation of the international public service into a complacent arm of the dominant forces of the time. This assertion was challenged. The United Nations being a political body with a power resulting from the interplay of political forces, its Secretariat should be made of experts capable of providing the necessary information and of serving efficiently intergovernmental processes of negotiation. The notion of independence should be taken literally – independence from any particular government – and not as a responsibility to find a path or a “truth” transcending the positions of member-states. As a number of other important questions, this issue could not be further discussed within the time available.

94. Similarly, the question of the meaning of a special focus of the work of the United Nations on Africa, notably on matters of development, was only briefly evoked. There are all reasons for a focus of international development cooperation in terms of aid and technical assistance on the African continent. But changes in the global economic environment towards greater fairness in the “rules of the game” remain essential. And no country or continent can accept to be seen and treated by the international community as a “special case”. At the level of international relations, as at the level of personal and social relations, charity is not an alternative to justice. It was repeated at the Forum that the situation of Africa remains the litmus test of the effectiveness of international cooperation for development and of the capacity of the world to create a true international community.

95. Thus, the Forum expressed high demands on the United Nations, seen as having the duty to take the lead in creating a movement that would halt the perceived deepening of various forms of inequality in the world. The participants were fully aware of the characteristics and limitations of the organization and of the difficulties it is facing at this particular historical juncture. But they saw no alternative to a greater role of the United Nations and the family of international organizations. Particularly for addressing the inequalities, imbalances and inequities that characterize the relations among countries at different levels of power, only an organization with the mandate and membership of the United Nations can offer the appropriate forum and methods of cooperation. During these past few decades, it has in some respect counteracted the powerful forces that were pushing issues of equity and equality at the bottom of the international agenda. But the conviction of the participants to this Forum was that much more is needed and much more is possible. A greater awareness of a few basic facts, such as the magnitude of inequalities in income and wealth, the differences and relations between poverty and inequality, the links between inequalities within and inequalities among countries, and the necessity to manage economic openness and economic interdependence should help the United Nations to bring more equity and therefore more harmony in the world.

96. At its session of February 2005, the Commission for Social Development adopted a Declaration on the tenth anniversary of the World Summit for Social Development. The last paragraph of this short document reads as follows: “We, the representatives of Governments (...) Dedicate ourselves, a decade after Copenhagen, on the basis of our common pursuit of social development, to building solidarity, and renew our invitation to

all people in all countries and in walks of life, as well as the international community, to join in realizing our shared vision for a more just and equitable world. We therefore reaffirm our will and commitment to continue implementing the Declaration and Programme of Action, in particular to eradicate poverty, promote full and productive employment and foster social integration to achieve stable, safe and just societies for all.” This renewal, by an intergovernmental body of the United Nations, of a call for “a more just and equitable world” is a step in the right direction.

## **ANNEX 1: QUESTIONS INCLUDED IN THE AGENDA**

### **Theme 1: Interpreting current trends in inequality**

- *Is the spreading and apparent deepening of various forms of inequality reflecting fundamental and long lasting transformations of economy and society? Or, is it mainly the result of the current domination of identifiable political forces and ideas?*
- *What are the elements of a universally shared conception of equity? What can be said of the relative strength of the governments, organizations and movements advocating an overall reduction of inequalities?*
- *What are the analytical and political links between inequalities within countries and inequalities among countries?*

### **Theme 2: National policies for sustainable growth and prevention and reduction of inequalities**

- *What are the margin of maneuver and the range of policy options available to a government wishing to pursue both integration in the world economy and prevention and reduction of inequalities?*
- *Beyond national circumstances can and should the features of a proper “mix” of distributive and redistributive policies conducive to both growth and equity be identified?*
- *As policies targeted at the poor appear to yield disappointing results and as some major countries are reducing poverty through rapid growth while creating inequalities, there would seem to be a case for rethinking comprehensive strategies for sustainable growth and social progress. Again beyond national circumstances, what would be the common features of such national strategies?*
- *What are and should be the components of an external environment supportive of the strategies and policies of national governments aiming at growth and equity?*

### **Theme 3: Contribution of the United Nations to the search for equity in an interdependent world**

- *Given the growing importance of transnational forces in influencing patterns of equity and inequality – including perceptions of the fair and the unjust –how could the United Nations create the processes and institutions through which these forces could be brought together and eventually subjected to a global system of checks and balances?*
- *General normative frameworks on matters of equity and equality tend to be ignored in times of ideological and political shifts. Detailed normative*

*frameworks are intrusive and tend to reflect specific views and interests. Which road should be taken by the United Nations?*

- *How could the United nations best assist countries with limited power that wish to participate and benefit in the reflection and research that questions of equity and equality in an interdependent and conflicted world seem to require?*

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