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FRESH-UP ECONOMICS

Inequality: what should be done?

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1. Overview

What is inequality?

Inequality describes both measurable allocations of resources and concrete human experiences of marginalisation, oppression and disrespect. "*Inequality is said to exist when there is a **difference in the distribution of a resource (such as income) or outcome (such as mortality or educational achievement)** across groups of people or places (for example, by socioeconomic group or by gender).*"[1] In the field of economics, inequality is primarily approached from a monetary perspective. Socioeconomic approaches present a broader understanding of inequality. Göran Therborn (2013) offers a helpful distinction between three forms of inequality: **resource inequality**, (e.g. monetary inequalities, carbon inequality) **vital inequalities** (e.g. inequalities in health status, life expectancy) and **existential equality** (based on equality of opportunity and participation in a comprehensive sense, i.e. the absence of discrimination, stigmatisation and oppression such as racism, sexism, casteism or slavery). Inequality describes a social phenomenon, not a natural characteristic. As socioeconomic analysis points out, inequalities are created and driven by social institutions[2] and caused by power relations.

The trend: growing global inequality

Around the year 1500 the major world regions China, India and Europe were equal in terms of per capita material production. With the rise of colonialism, the "Great Divergence"[3] between these world regions began to unfold and has set the path for centuries of growing global inequality, from colonialism to imperialism to the current divide of the Global North and the Global South. Also in the last decades, most of the growing wealth went to those who were already very wealthy. Since 1995 the poorest half of the population together only captured 2% of the global wealth growth, while the richest 1% captured 38% of the total wealth growth.

Income and wealth inequality within countries and regions

While incomes are distributed quite equally in nations like Czech Republic, Iceland and Norway, the United Kingdom, the United States and Chile have very unequal income distributions. Comparing world regions, income inequality is the lowest in Europe, and the highest in the Middle East. In nearly all countries, income inequality within countries has increased in the last decades, however, at different paces. Wealth is in most cases distributed more unequally than income. Since the 1970s wealth inequality rose within most countries and on a global scale. Over the last decades, neoliberal globalisation has shifted power relations and led to a diminishing share of labour income as well as to increased inequality between different types of jobs. Another shift of power balance has taken place between private and public institutions through privatisation of public assets, reducing the possibilities to counter inequality through public prog**rams[4].**

[1] Shaw et al., 2017

[2] Institutions are an often misunderstood term, in common language associated with "organisations". Here, we use institutions more broadly as "...systems of established and embedded social rules that structure social interactions". Hodgson, 2006, p. 18

[3] Pomerantz, 2000

[4] Alvaredo et al., 2018

Carbon inequality

The (unequal) growth of wealth and the rise of material living standards over the last 200 years came hand in hand with an exponentially increasing use of biocapacity and particularly greenhouse gas emissions.[5] Today we are in the midst of a human-made climate crisis and of the sixth great mass extinction. The unequal responsibility for carbon emissions is an important form of resource inequality: the richer a country or an individual, the higher the use of physical resources that lead to carbon emissions. Historically, countries of the Global North are responsible for 92% of all excess carbon emissions emitted worldwide.[6] Currently the richest 1% of the world's population emits more than twice the combined share of the poorest 50%.

What can be done about inequality?

On a national level, welfare regimes can reduce inequality. The **liberal welfare regime** dominates in Anglo-Saxon countries such as the US, UK and Australia. It is a "residual" welfare state focusing on those who cannot take care of themselves in the market economy: the sick, people with special needs, the elderly, the unemployed. This regime holds that everyone else should care for themselves. The middle classes try to remain independent from welfare benefits - private solutions such as private schools, private pensions and private health insurance emerge. The **conservative welfare regime** dominates in continental Europe in countries such as Germany, Austria and France. Access to a large part of the social security benefits is linked to participation in the labour market and/or citizenship. This creates a welfare state for "insiders" and non-insured "outsiders". The **social democratic welfare regime** dominates in Scandinavia. It guarantees universal social rights and provides well-developed public social infrastructures, education, health, care and decent housing for all.

While these traditional welfare state types have (in all their differences) focused on social issues, 21st century welfare states need to provide new **answers that integrate equality with carbon budgets**. So far, the social achievements of welfare regimes were built on the use of an unsustainable share of global biocapacity, at the cost of other world regions and future generations. Tackling inequality in times of climate crisis means that equality needs to be achieved without transgressing the planet's limits. This requires new answers for socio-ecological welfare regimes. While monetary policies can effectively alleviate existential needs and strengthen individual self-determination, they are not sufficient. To tackle the climate crisis **structures that enable everyone to meet their needs with low resource consumption** are vital. Sustainably provided public transport and affordable access to sustainable energy, water, housing, health, care and education help to limit the importance of money and consumption in meeting needs. Social-ecological infrastructures encompass much of what individuals cannot afford with money: from greenery in the street and libraries to public swimming pools. Affordable socio-ecological infrastructures can provide security, offer space for individual lifestyles, strengthen social cohesion and create resource-saving structures. In the 21st century equality means that an ecological way of living is neither a privilege nor a sign of poverty, but simply becomes a routine, a new normal. Ultimately, it is a question of democratic deliberation what social protection floor should be provided for everyone in the light of a finite carbon budget. Reducing inequality is vital if all people are supposed to live a good life in times of reducing carbon emissions drastically.

[5] This trend is described as the great acceleration. Along with growing economic output the pressure that human activities have on our planet rose exponentially in the last decades. Now many so-called planetary boundaries are transgressed, for example when it comes to the loss of biodiversity, the climate crisis and the disturbed nitrogen cycle leading to polluted waterways and coastal zones. Carbon inequality is far from being the only or most dramatic environmental inequality. We use it as an example.

[6] Hickel, 2020

2. Background information

What is inequality

Inequality has seen a revival of interest in public debate and social science research alike. Behind this term are both measurable allocations of resources and concrete human experiences of marginalisation, oppression and disrespect. It offers a fruitful topic for learning, as much as it is prone to misunderstandings and conflict. This text starts with some clarifications before diving deeper into the (socio-)economics of inequality.

Defining inequality

First of all, inequality should not be confused with difference or diversity, and likewise equality does not imply uniformity or sameness. Evidently, all humans are equal, sharing the same biological needs, from birth to death. And at the same time on some level all humans are unique and therefore different. If humans are equal and unique, what does inequality actually refer to? Starting from a handbook definition, we learn that *"Inequality is said to exist when there is a difference in the distribution of a resource (such as income) or outcome (such as mortality or educational achievement) across groups of people or places (for example, by socioeconomic* ***group or by gender).***"[7] Inequality therefore describes a social phenomenon, not a natural characteristic.

Diverse (socio-)economic approaches to inequality

In the field of economics, inequality is primarily approached from a monetary perspective, but with considerable differences between the theoretical approaches. The neoclassical approach is based on an individualistic worldview in which individual income is the result of the productivity of a worker or owner of capital, i.e. what s/he adds to the produced market **value.**[8] Various schools of heterodox economics have criticised this approach and have brought attention to the importance of structural power on labour markets and the role of government in macroeconomic distribution (Keynesian). Marxist economists have argued that workers are in fact not remunerated according to their contribution but are generating a surplus value absorbed by the owners of capital. Feminist economists have stressed the gendered separation of unpaid reproductive work and paid "productive work", perpetuating economic inequality between genders until today. Ecological economists have emphasised how productivity growth actually results from the unpaid appropriation of fossil energy and natural resources and how parts of wealth building rests on systematic cost-shifting to other places or future gen**erations.**[9]
While economic approaches focus primarily on income and wealth, socioeconomic approaches are interested in a broader societal understanding of inequality. They shed light on the relationship of monetary inequality with socio-cultural, ecological and political inequalities. Göran Therborn (2013) offers a helpful distinction between three forms of inequality:

(1) **Resource inequality**, especially monetary inequalities, but also carbon inequality

(2) **Vital inequalities,** inequalities in health status, especially differences in life expectancy.

[7] Shaw et al., 2017

[8] The underlying assumptions are based on marginal productivity theory.

[9] For a deeper understanding of different economic approaches to inequality visit https://www.exploring-economics.org/en/discover/

(3) **Existential equality**, based on equality of opportunity and participation in a comprehensive sense, i.e. the absence of discrimination, stigmatisation and oppression such as racism, sexism, casteism or slavery.

The following quote summarises a socioeconomic perspective on inequality. *"Inequality, then, is not just about the size of wallets. It is a socio-cultural order, which (for most of us) reduces our capabilities to function as human beings, our health, our self-respect, our sense of self, as well as our resources to act and participate* ***in this world."*** [10] This perspective links inequality to the issue of poverty - some human beings are deprived of their capabilities as a result of an unequal social order.

Resource inequality

Resource inequality can be considered in various dimensions: across time, different territorial scales (global, national, regional) and across social groups (i.e. race, gender, class etc.). We begin with the historical development of global inequality.

History and presence of global inequality

Global income and wealth inequality between individuals have two components: inequality between countries and regions (for example income differences between Indians and Germans) and inequality within countries (for example differences between rich and p**oor Italians).**[11] Around the year 1500 the major world regions of China, India and Europe were actually equal in terms of their per capita material production. With the rise of colonialism, the "Great Diver**gence"**[12] between these world regions began to unfold and has set the path for centuries of growing global inequality, from colonialism to imperialism to the current divide of the Global North and a **Global South.**[13] Since formal decolonisation, several development agendas have tried to decrease global inequality. And indeed the income inequality between countries started to decline in 1980 - however, as it had been growing continuously between 1820 and 1980, it is now only as low as it was in 1900. Inequality between countries still accounts for up to 80% of global inequality (depending on source) - i.e. the global birthplace explains a more significant part than the class difference**s within a society.**[14] Furthermore, inequality within countries is at a historic high today. In total, global inequality rose between 1820 and 1910, and stabilised at a high level s**ince then.**[15]

Looking at the last decades and wealth shows a similar picture - most of the growing wealth went to the wealthiest. Since 1995 the poorest half of the population together only captured 2% of the global wealth growth, while the richest 1% captured 38% of the total wealt**h growth.**[16]

[10] Therborn, 2013, p.1

[11] Chancel et al., 2022

[12] Pomerantz, 2000

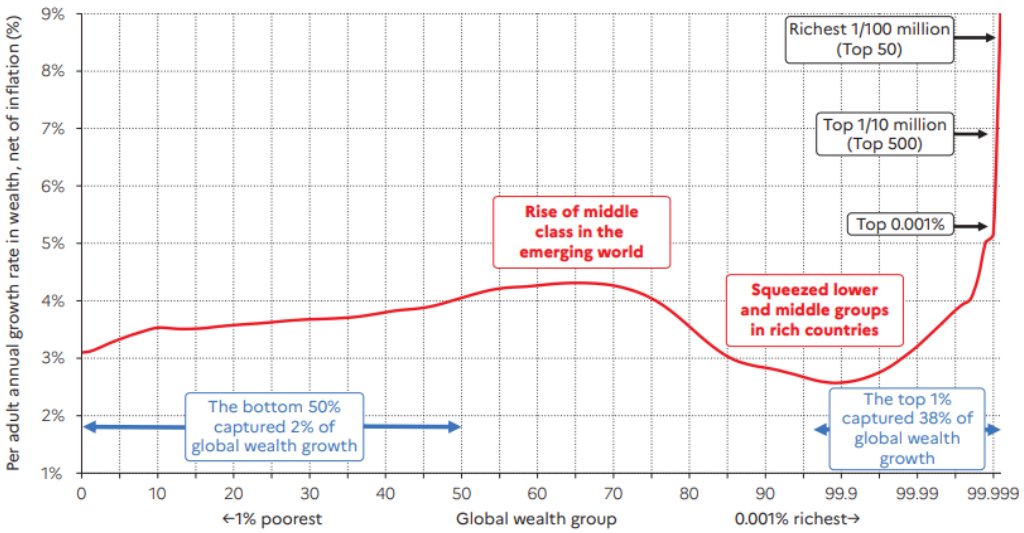
[13] More on the long-run history of global inequality can be found in Hickel, 2017

[14] Fischer, 2019, p. 221

[15] Chancel et al., 2022

[16] Chancel et al., 2022

Figure 9 *Average annual wealth growth rate, 1995-2021*



Interpretation: *Growth rates among the poorest half of the population were between 3% and 4% per year, between 1995 and 2021. Since this group started from very low wealth levels, its absolute levels of growth remained very low. The poorest half of the world population only captured 2.3% of overall wealth growth since 1995. The top 1% benefited from high growth rates (3% to 9% per year). This group captured 38% of total wealth growth between 1995 and 2021. Net household wealth is equal to the sum of financial assets (e.g. equity or bonds) and non-financial assets (e.g. housing or land) owned by individuals, net of their debts.* ***Sources and series:*** *wir2022.wid.world/methodology.*

In 2021 the poorest half of the global population owns only 2% of the total wealth - meaning on average €2,900 per person. In contrast, the richest 10% of the global population own 76% of all wealth, per person on average €550,900. The richest 1% alone owns 38% of all wealth.

Table 4.1 *Global distribution of wealth, 2021*

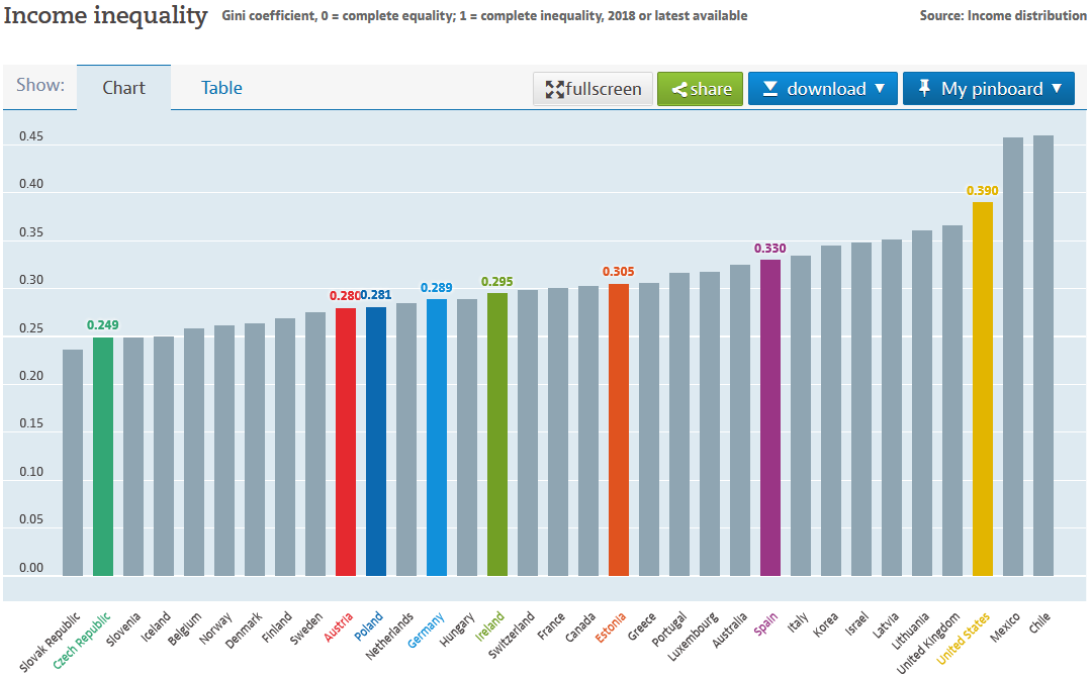
	Share in total wealth (%) (2021)	Avg. Per adult wealth (2021 €)	Threshold (2021)	Avg. annual growth rate (1995-2021)
Full population	100%	72,913		3.2%
Bottom 50%	2.0%	2,908		3.7%
Middle 40%	22.4%	40,919	11,954	3.8%
Top 10%	75.6%	550,920	124,876	3.0%
Top 1%	37.8%	2.8 million	893,338	3.2%
Top 0.1%	19.4%	14.1 million	3.6 million	4.0%
Top 0.01%	11.2%	81.7 million	18.0 million	5.0%
Top 0.001%	6.4%	469.0 million	119.4 million	5.9%
Top 1/1 million	3.5%	2.6 billion	674.7 million	6.9%
Top 1/10 million	1.9%	14.2 billion	3.7 billion	8.1%
Top 1/100 million	1.1%	77.4 billion	20.3 billion	9.3%

Interpretation: *The global top 1% own 38% of total household wealth, and have had an average annual growth rate of 3.2% since 1995. The global average wealth per adult was 72,910€ (at Purchasing Power Parity) in 2021. Net household wealth is equal to the sum of financial assets (e.g. equity or bonds) and non-financial assets (e.g. housing or land) owned by individuals, net of their debts. The top 1/100 million represents 52 persons.* ***Sources and series:*** *wir2022.wid.world/methodology, Bauluz et al. (2021) and updates.*

Income inequality within countries and regions

After having looked at global inequality, let's focus on inequalities within countries and how they evolved. The following graph shows the Gini coefficient for income inequality in OE**CD countries.**[17] The income distribution within countries is very different, with nations like Czech Republic, Iceland and Norway being amongst the most equal ones, and the United Kingdom, the United States and Chile showing very unequal income distributions.

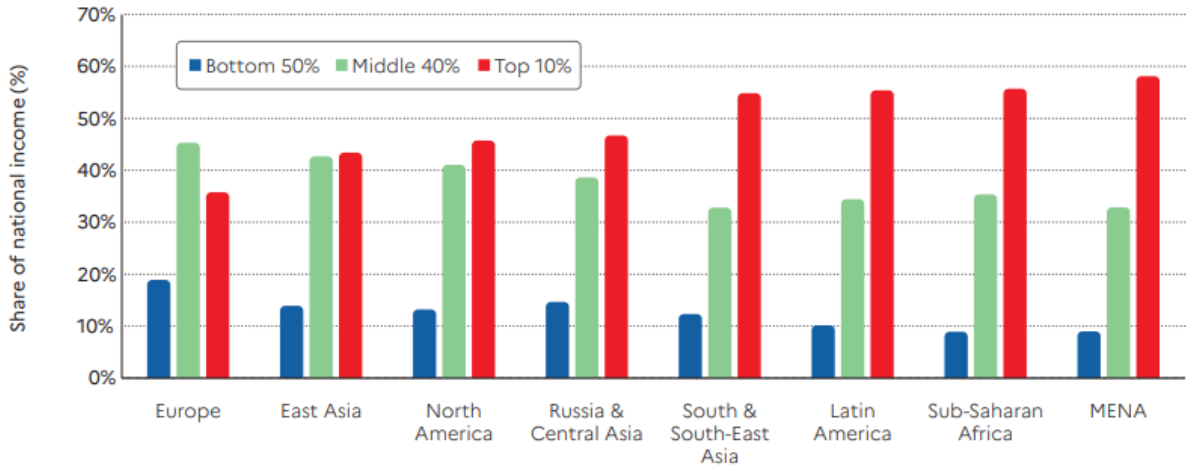
[17] The higher the Gini coefficient, the higher the inequality. It ranges from 0 (complete equality) to 1 (complete inequality).



https://data.oecd.org/inequality/income-inequality.htm

The following figure shows income inequality levels across the regions. Inequality varies significantly between the most equal region (Europe) and the most unequal (Middle East and North Africa i.e. MENA). In Europe, the top 10% income share is around 36%, whereas in MENA it reach**es 58%.**[18]

Figure 2 ***The poorest half lags behind: Bottom 50%, middle 40% and top 10% income shares across the world in 2021***



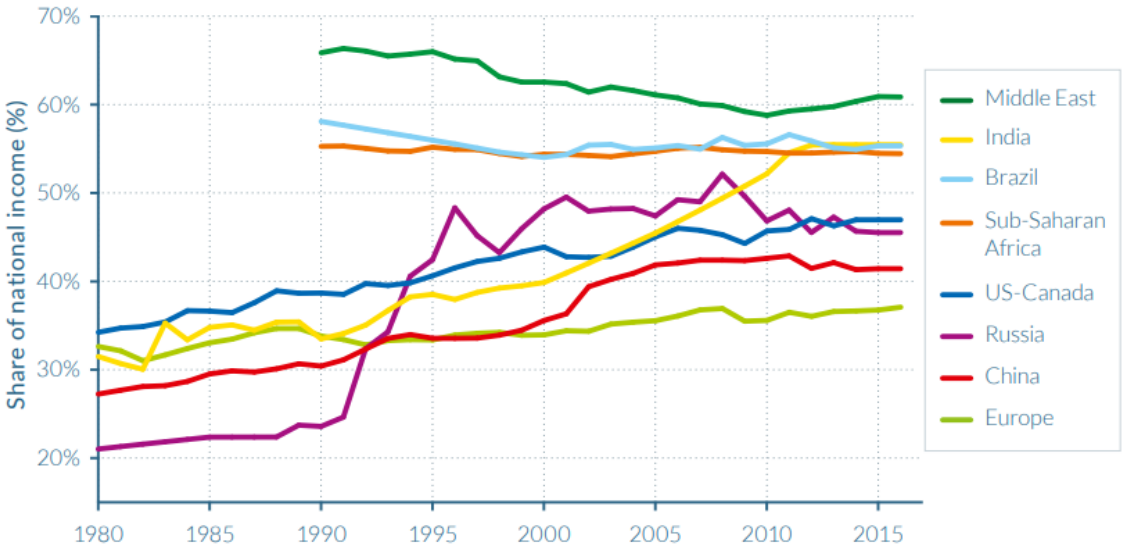
Interpretation: *In Latin America, the top 10% captures 55% of national income, compared to 36% in Europe. Income is measured after pension and unemployment contributions and benefits paid and received by individuals but before income taxes and other transfers.* ***Sources and series:*** *www.wir2022.wid.world/methodology.*

Nearly everywhere income inequality has increased in the last decades, however, at different speeds. This shows that national institutions and policies matter. The following figure shows that in North America, Russia, China and India inequality has grown rapidly, whereas it grew more moderately in

[18] Chancel et al., 2022

Europe. In countries and Regions with extremely high inequality, like Brazil and Sub-Saharan Africa, inequality has remained relatively stable[19].

Top 10% income shares across the world, 1980–2016: Is world inequality moving towards the high-inequality frontier?



Source: WID.world (2017). See wir2018.wid.world for data series and notes.

An important cause of rising income inequality is the changed relation of power between labour and capital in an open world economy. Capital is inherently more mobile than labour, which limits the bargaining power of wage earners: much of financial capital can "migrate" in a fraction of a second, while the mobility of workers is limited by national borders, but also by social factors such as family, friends and possibly a home of one's own. From the 1980s onward global financial flows and trade were deregulated, a shift in policy that was often labelled the “Washington Consensus”. Since then, many unions have lost power and the wage share, i.e., the share of earned income in national income, declined in most industrialised nations, while the share of capital income rose. For fear of locational competition, the average statutory corporate tax rate fell from 49% (1985) to 24% (2018**) worldwide.**[20]

Wealth inequality within countries and regions

Thomas Piketty, a leading economist working on inequality, stresses the importance of wealth in analysing inequality. In his book “Capital in the Twenty-First Century” he explains that capitalism, left to itself, deepens economic inequality, as the rate of return of capital is usually greater than the rate of economic growth which leads to concentration of wealth. Analysing inequality historically as well as in several countries, he concludes that economic inequality has risen over the last decades in Western societies, which in turn has increased social and economic in**stability.**[21]

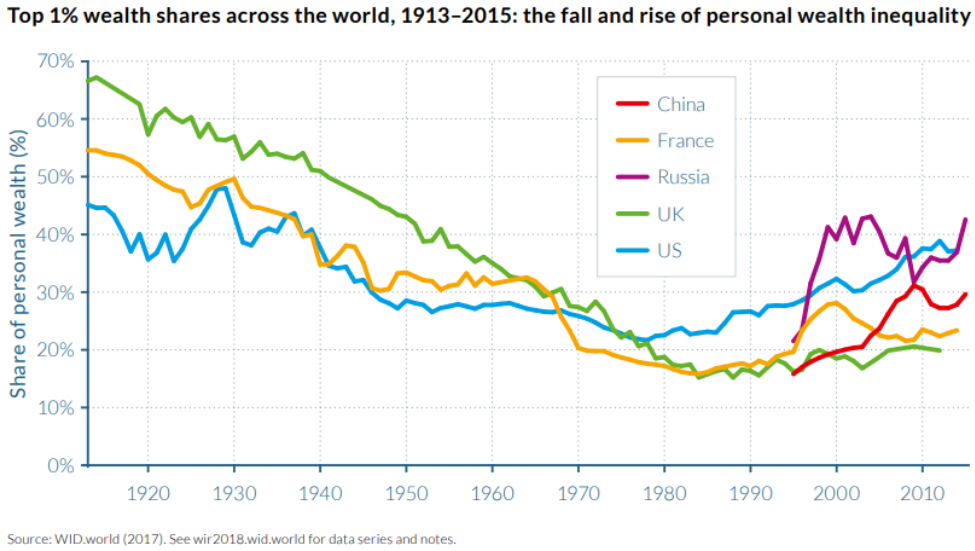
Wealth is in most cases distributed more unequally than income. Before World War I, 10% of the European population owned about 90% of wealth, primarily land and financial assets. These values declined until the 1970s, only to rise again thereafter. In the United States, China and Russia, the rise of wealth inequality in the recent decades has been even more dramatic than in Europe[22].

19 Alvaredo et al., 2018

20 Novy et al., 2020

21 Piketty, 2014 - Find a short video (3 min) introducing his book here and a more in depth introduction (21 min) here.

22 Alvaredo et al., 2018



Carbon Inequality

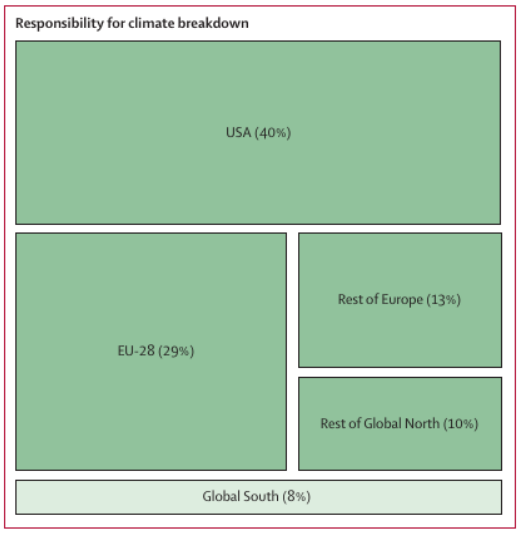


Figure: **Responsibility for excess emissions**
For the purposes of this analysis, the term Global North refers to the USA, Canada, Europe, Israel, Australia, New Zealand, and Japan, whereas the term Global South refers to the rest of the world: Latin America, Africa, the Middle East, and Asia.

The (unequal) growth of wealth and the rise of material living standards over the last 200 years came hand in hand with an exponentially increasing use of biocapacity and particularly greenhouse **gas emissions.**[23] Today we are in the midst of a human-made climate crisis (the concentration of greenhouse gases in the Earth's atmosphere is the highest in the last 800,000 years) and of the sixth great mass extinction (up to a million animal and plant species will be pushed to the brink of extinction within the next few decades by human impact). The unequal responsibility for carbon emissions is an important form of resource inequality: the richer a country or an individual, the higher the use of physical resources that lead to carbon emissions. The Figure shows the cumulative historical responsibility for excess carbon emissions by world regions (i.e the sum of emissions above an equal per capita amount)). 92% is caused by high-income countries of the Global **North.**[24]

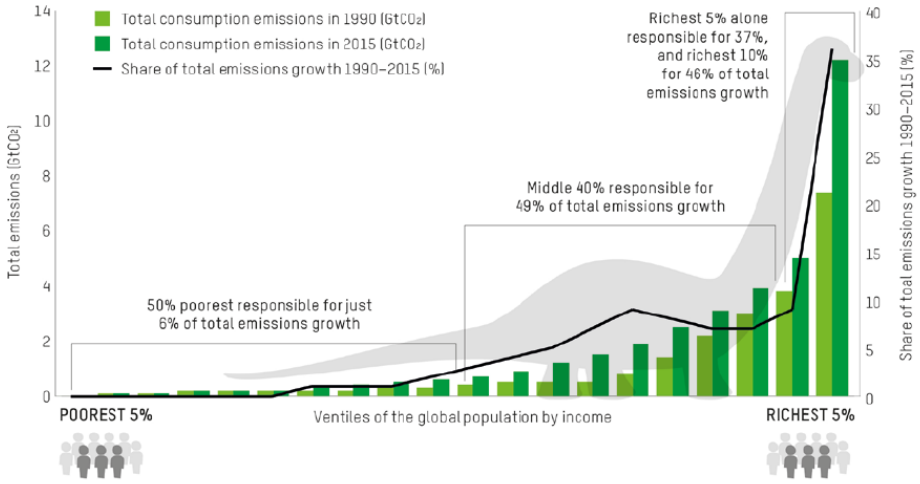
Despite environmental policies, movements and growing public awareness, carbon inequality has increased. The so-called “dinosaur graph” shows the unequal patterns of growing carbon emissions in recent decades. While the 50% poorest are only responsible for 6% of the total carbon emissions growth from 1990-2015, the richest 10% are responsible for 46% of the emissions gr**owth in this period.**[25]

[23] This trend is described as the great acceleration. Along with growing economic output the pressure that human activities have on our planet rose exponentially in the last decades. Now many so-called planetary boundaries are transgressed, for example when it comes to the loss of biodiversity, the climate crisis and the disturbed nitrogen cycle leading to polluted waterways and coastal zones. Carbon inequality is far from being the only environmental inequality. We deal with it as an example.

[24] Hickel, 2020

[25] Oxfam, 2020

Figure 2: The 'dinosaur graph' of unequal carbon emissions growth 1990-2015



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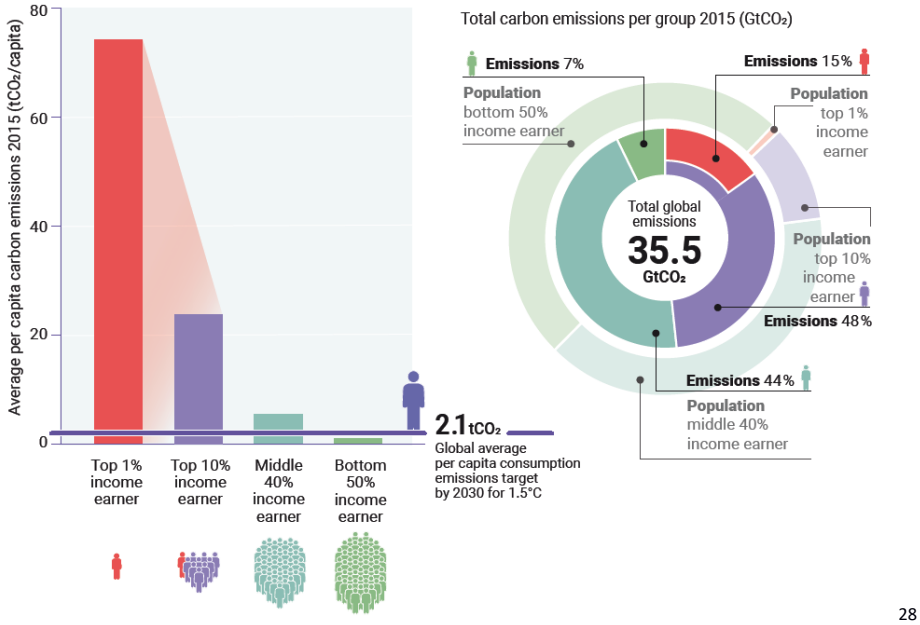
With respect to current carbon emissions, the richest 1% of the world's population emits more than twice the combined share of the poorest 50%. Meeting the Paris Agreement's climate target of 1.5°C requires reducing emissions to a per capita lifestyle footprint of about 2-2.5 tCO2e by 2030, which means that the richest 1% would need to reduce their current per capita emissions by at least a factor of 30 and the richest 10% **by a factor of 10, while the per capita emissions of the poorest 50% could still increase on average by a factor of three[27].** To put it in a nutshell, inequality of income, wealth and carbon emissions are related and the climate crisis is essentially a crisis of inequality.

Figure ES.8. Per capita and absolute CO_2 consumption emissions by four global income groups for 2015



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[26] Oxfam, 2020

[27] United Nations Environment Programme, 2020

[28] United Nations Environment Programme, 2020

Vital inequality

Vital inequalities mean inequalities in health status and life expectancy. Over the 200 years of capitalism, based on fossil-fuel extraction, life expectancy has soared to levels, inimaginable in former societies. Poor people today live longer than kings and noblemen in earlier societies. However, while today a child being born in Hong Kong can expect to live 84.9 years, a child being born in Nigeria can only expect to live 54.7 y**ears.**[29] Life expectancy does, however, not only differ greatly among different countries, but also within different socio-economic groups wit**hin countries**[30]**.** Resource inequality has a strong influence on vital inequalities, income can however not fully explain them. For example, life expectancy in Costa Rica is about 1.5 years longer than in the m**uch richer USA**[31]. As Wilkinson and Pickett show, many indicators connected to vital inequality, like obesity, mental health and child mortality, are better in more equal societies. When looking at the parts of the world most negatively affected by the unfolding climate crisis, we see that carbon (and other environmental) inequalities are social inequalities not only on the side of responsibility but also on the side of suffering vit**al consequences.**[32] Furthermore, the recent Corona pandemic has revealed many examples of vital inequalities which can be used for a more in depth discussion.

Existential inequality

Existential inequality refers to forms of stigmatisation and discrimination. Racism, sexism, ableism or ageism (among others) describe systemic patterns of inequality based on ascribed group memberships, that are also effective as resource and vital inequality (i.e. women earn less, contribute less to and suffer more from the climate crisis). The concept of intersectionality highlights how these systemic patterns for different social groups are always connected and lead to multiple oppressions and privileges for certain groups of people at once. Although progress has been made in many countries over the last decades in anti-discrimination legislation, it remains a cause of profound inequalities. To fully understand the social reality of inequality, we need to look at existential inequality. People are facing discrimination and stigmatisation in everyday interaction with institutions and individuals, which oppress their capability for self-determination and social participation. Despite formally forbidden, structural discrimination persists in culture and institutions like housing or labor markets.

Drivers of inequality

Socioeconomic analysis insists that resource, vital and exist**ential inequalities must not be reduced to individual characteristics, but that they are created and driven by social institutions**[33] and caused by power relations. On a global scale, we have already described how neoliberal globalisation has profoundly shifted power relations and led to a diminishing share of labour income and rising inequality between different types of jobs. Another shift of power balance has taken place between private and public institutions through privatisation of public assets, reducing the possibilities to counter inequality through **public programs**[34]**.** Whereas net private wealth increased sharply, net public wealth is now close to zero or even negative in most OECD countries.

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29 Human Development Report Office, 2020

30 Mosquera et al., 2018

31 Human Development Report Office, 2020

32 This video depicts the unequal global responsibility for and suffering from the climate crisis: The carbon map

33 Institutions are an often misunderstood term, in common language associated with "organisations". Here, we use institutions more broadly as "...systems of established and embedded social rules that structure social interactions". Hodgson, 2006, p.18

34 Alvaredo et al., 2018

Zooming closer into the drivers of inequality within a society, many studies have documented that inequality is inherited over generations in families, reinforcing class differences. This is most pronounced with respect to economic resources but also plays out in more subtle ways by socialisation in the educational system and the social networks of everyday life, leading to unequal social and cultural resources (or "capital" in the terminology of French sociologist **Pierre Bourdieu[35]).** One can think of multiple vicious circles between unequal means and unequal outcomes: between lack of income and health status, available time and education or between education and political influence. That said, a socioeconomic perspective of inequality does not only look at "traditional" economic institutions such as tax and labour market regulations but also takes into account fields of education, housing or health systems as drivers of inequality.

What can be done about inequality?

As we have seen, inequality exists both on a global scale and within countries. There is a wide range of policies to combat inequality, focusing on different forms of inequality. The following table shows an overview of inequality policies put together by Olivier Blanchard and Dani Rodrik. They cluster different policies looking at the stages of the economy targeted (column headings) and distinguishing according to the bottom, middle or top of the distribution. For example, at the pre-production stage policies influence the endowments with which people enter the workforce, such as health, education and financial access policies. Amongst other policies, minimum wages, trade agreements, place-based policies intervene at the production stage. The post-production stage is all about redistributing income and wealth, for example through social transfers, progressive income taxation and we**alth taxation.**[36]

Table 1 Taxonomy of policies affecting inequality

		At what stage of the economy does policy intervene?		
		Pre-production	**Production**	**Post-production**
What kind of inequality do we care about?	**Bottom**	Endowment policies (healthcare, education); universal basic income	Minimum wage; job guarantees	Social transfers (e.g., earned income tax credit); full-employment macro policies
	Middle	Public spending on higher education	"Good jobs" policies; industrial relations and labor laws; sectoral wage boards; trade agreements; innovation policies	Safety nets; social insurance policies
	Top	Inheritance/estate taxes	Regulations; antitrust laws	Wealth taxes

[37]

The following overview of different measures to deal with inequality can be used as a printout for the exercise "Measures to tackle inequality in times of climate change".

[35] Bourdieu, 1987

[36] For more information on different policies see: https://www.piie.com/commentary/speeches-papers/we-have-tools-reverse-rise-inequality

[37] Blanchard and Rodrik, 2019

A **minimum wage** is the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period.	**Publicly funded healthcare** is a form of health care financing designed to meet the cost of all or most healthcare needs from a publicly managed fund. It ensures that either everyone or everyone insured gets the health treatments they need.
Free public transport refers to public transport funded in full by means other than by collecting fares from passengers. In 2020 Luxembourg became the first country in the world to make all public transport in the country (buses, trams, and trains) free to use.	**Unemployment benefits** are payments made by authorised bodies to unemployed people. The benefits are often funded by a compulsory government insurance system. Depending on the jurisdiction and the status of the person, those sums may be small, covering only basic needs, or may compensate the lost time proportionally to the previous earned salary.
A **wealth tax** is a tax on an entity's holdings of assets. This includes for example cash, bank deposits, real estate, assets in insurance and pension plans, ownership of businesses and financial securities. Typically, liabilities (primarily mortgages and other loans) are deducted from an individual's wealth, hence it is sometimes called a **net wealth tax**. Wealth taxes are in use in many countries around the world and seek to reduce the accumulation of wealth by individuals.	**Free public higher education** is higher education funded through government spending rather than tuition funding. Many countries provide free higher education for all its citizens or in the EU for all EU citizens, some also for international students.
The current supranational market order promotes global tax competition, which leads to falling corporate taxes. For example, the average statutory corporate tax rate worldwide fell from 49% (1985) to 24% (2018) for fear of relocation. 40% of the profits of transnational corporations are shifted to low-tax countries and tax havens every year. An international **minimum corporate tax rate** is a proposal to reduce tax competition between countries and the avoidance of corporate taxes. In 2021, 130 countries backed an OECD plan to set a global minimum corporate tax rate of 15 per cent. It is a worldwide effort to keep multinational firms from dodging taxes by shifting their profits to countries with low rates.[38]	**Free child care** is funded through government spending rather than directly by the parents themselves.
A **frequent flyer levy** aims at limiting aviation emissions while ensuring a more progressive distribution of flights. The levy applies a charge, starting at zero for the first flight, but increasing for every subsequent flight taken within a year.	**Debt cancellation** is a legal measure to cut outstanding loan payments. Legally, a debt cancellation *"...occurs when there is an agreement between the debtor and the creditor that an outstanding debt no longer needs to be*

[38] The Associated Press, 2021

	repaid."[39] Such a cancellation was recently demanded in the context of the covid-pandemic by several countries of the Global South who are significantly indebted in the North.[40] Debt cancellation can also concern private households and specific indebted groups (e.g. students).

The following chapter focuses on approaches to reducing inequality on a (sub-)national level in different welfare regimes and thereby puts a spotlight on the Global North.

How traditional welfare regimes deal with inequality

One answer to reducing inequalities are welfa**re regimes**[41]. Esping-Andersen distinguishes three ideal types of welfare regimes in the Global North: a **liberal, conservative and social democratic** welfare reg**ime.**[42] These offer different types and degrees of protection against social risks as they prevent the commodification of various social functions such as work, old-age provision, education, housing, health and care. They differ in the degree to which certain public services are considered social rights and therefore should not depend on ability to pay. The **liberal welfare regime** dominates in Anglo-Saxon countries such as the US, UK and Australia. It is a regime focusing on those who cannot take care of themselves financially in the market economy: The sick, people with special needs, the elderly, the unemployed. It is explicitly not a welfare state for all, but only for the ones in need. In market societies, people are responsible for themselves and are paid according to their market performance. This "residual" welfare state tries to prevent those who are capable of working from wrongfully claiming social benefits, leading to high bureaucratic costs and stigmatisation. The middle classes in these countries typically make an effort to remain independent from welfare benefits. Therefore, private solutions such as private schools, private pensions and private health insurance for the middle class and high earners emerge. The **conservative welfare regime** dominates in continental Europe in countries such as Germany, Austria and France. Historically, its origins go back to collective insurances that arose in occupational groups where certain risks were shared (i.e. miners are regular victims of mining accidents, farms are victims of extreme weather events). In conservative welfare regimes, access to a large part of the social security benefits is typically linked to participation in the labour market or citizenship, or both. This creates a welfare state that functions according to insurance principles: Insured people are "insiders", non-insured are "outsiders". The latter include migrants and many women. The **social democratic welfare regime** dominates in Scandinavia (Sweden, Denmark, Norway and Finland). It guarantees universal social rights and strives to provide well-developed public social infrastructures, education, health, care and decent quality housing for all. This leads to a (partial) de-commodification of these services, i.e. school attendance is not a commodity that has to be paid for; communal and social housing are publicly supported. Basic principles of this model are a policy of full employment (all people have a right to work) and the entitlement to access services and infrastructures of good quality for all residents (including those with higher incomes).

[39] https://stats.oecd.org/glossary/detail.asp?ID=551

[40] https://jubileedebt.org.uk/a-debt-jubilee-to-tackle-the-covid-19-health-and-economic-crisis-2

[41] Esping-Andersen, 1990. The described regimes are models describing ideal types. In various countries the welfare approaches have changed considerably, e.g. several scandinavian countries have taken more liberal policies lately. Nevertheless, the typology is still helpful to distinguish different pathways and underlying worldviews of welfare policies of different states and their link to inequality.

[42] This chapter is based on Novy et al., 2020.

The following table summarises the characteristics of the three welfare regime types:

	Liberal welfare regime	**Conservative welfare regime**	**Social democratic welfare regimes**
Countries	Anglo-Saxon countries	Continental European countries	Scandinavian countries
Understanding of the welfare state	Welfare state only for deserving poor; a good quality of social services is offered privately	Social benefits tied to participation in the labour market and/or citizenship	Welfare state provides good quality public services "for all"
Commodification	Markets for retirement provision, care, education, housing and health	Decommodification of social services for "insider"	Decommodification of social services for "all"

The different welfare regimes have different effects on inequality and related indicators of societal well-being. Exercise 2.1 allows participants to explore the social performance of countries with different welfare regimes.

Tackling inequality in times of climate crisis

Chapter one showed that resource, vital and existential inequalities are closely linked with carbon emissions. In other words: Inequality is a social and an *ecological* issue. While traditional welfare state types have (in all their differences) focused on social issues, 21st century welfare states need to provide new answers that integrate equality with carbon budgets. So far, the social achievements of welfare regimes were built on the use of an unsustainable share of global biocapacity, at the cost of other world regions and future generations. Tackling inequality in times of climate crisis means that equality needs to be achieved without transgressing the planet's limits when it comes to carbon sequestration. To limit global warming to 1.5 degrees (Paris Agreement), greenhouse gas emissions have to be reduced by 45% by 2030 (compared to 2010) and have to be net-zero by 2050. How the remaining carbon budget is used is a question of equality. There are scientific models arguing that the earth can sustain resources sufficient to meet the needs of 10 billion people if inequality were reduced d**rastically.**[43] Should the super rich be allowed to continue to jet around the world? Should people living in poverty and deprivation be allowed to expand their currently very low share of emissions? And how could good living standards be mainstreamed for low-income households in Europe while simultaneously reducing their emissions?

To tackle the climate crisis, emitting carbon will become more expensive. Simply taxing resources, however, likely has regressive social effects, as it places a particularly heavy burden on the household budgets of low-income earners. Therefore, social-ecological welfare states require some kind of redistributive relief measure, such as an annual compensation payment for the lower inco**me groups.**[44] This shows: tackling inequality within a country and global carbon inequality are connected.

[43] Millward-Hopkins et al., 2020

[44] Another way to avoid regressive effects is to implement progressive eco-taxes where basic consumption is taxed less than excess consumption (i.e. a frequent flyer levy).

While monetary measures like a progressive income taxation, unemployment benefits or different forms of subsidies are important for a socio-ecological welfare state, they are not sufficient to address inequality, because they mainly look at the individual and her income. In times of climate crisis a profound change of perspective regarding equality is needed: what kind of infrastructures and institutions (that provide the context for people's everyday lives) would enable everyone to meet their needs with low resource consumption? Sustainably provided public transport and affordable access to sustainable energy, water, housing, health, care and education help to limit the importance of money and consumption in meeting needs. Such social-ecological infrastructures encompass much of what individuals cannot afford with money: From greenery in the street and libraries to public swimming pools.

Approaching the social-ecological welfare state through infrastructures has certain advantages over social policy measures solely based on cash benefits (which can effectively alleviate existential need and strengthen individual self-determination). Affordable socio-ecological infrastructures can provide security, offer space for individual lifestyles, strengthen social cohesion and create resource-saving structures. In the 21st century equality means that an ecological way of living is neither a privilege nor a sign of having too little, but simply becomes a routine, a new normal. For example, if local supply functions, everyday life can be organised without car ownership - as it is already possible today in densely built-up neighbourhoods. On the outskirts and in rural areas, public investment in socio-ecological infrastructures is still needed to enable new everyday practices: If there are convenient rail connections for commuters, car commuting can be dispensed and new routines can emerge that have a sustainable impact. Ultimately, it is a question of democratic deliberation what social protection floor should be provided for everyone in the light of a finite carbon budget. However, the data clearly shows that reducing inequality is indispensable if all people should have enough resources to be able to live a good life in times of climate goals.

Glossary

Carbon Inequality describes the unequal responsibility for causing the climate crisis, by comparing contributions of Greenhouse Gas (GHG) emissions of different individuals, classes, social groups or countries, at one point or accumulated over time.

(Social) Class "refers to divisions in society based on economic and social status. People in the same social class typically share a similar level of wealth, educational achievement, type of job and income."[45]

Existential Inequality is "the unequal allocation of personhood, i.e., of autonomy, dignity, degrees of freedom, and of rights to respect and self-development.[46]" It refers to everday reproduction of discrimination and stigmatisation like racism, sexism or ableism (among others) that oppress the above mentioned capabilities based on ascribed group memberships.

Global South and North are two terms to describe relative positions of power in a global economic system. It is a political-economic term that highlights the historical legacy of dominance and advantage of colonising countries over (formerly) colonised countries, and must not be understood as geographical (i.e. Australia as a country of the southern hemisphere is part of the Global North).

Intersectionality describes complex patterns of discrimination and privileges for an individual or a group resulting from their interconnected social group memberships such as gender, race, class, age or ability (referring to the image of an intersection). For example, a wealthy woman of color faces discrimination as a woman and as a person of color and is confronted with specific patterns of oppression targeting women of color. At the same time, the person can receive privileges from her class position in economic terms. The term was introduced by law scholar Kimberlé Crenshaw in the 80s.

Resource Inequality means **"**providing human actors with unequal resources to act."[47] It describes unequal distribution of monetary (income and wealth), physical and socio-cultural resources.

Vital Inequalities are "unequal life-chances of human organisms. This is being studied by assessing mortality rates, life expectancy, health expectancy (expected years of life without serious illness), and several other indicators of child health, like birth weight and body growth by a certain age."[48]

[45] Thompson, 2016 https://revisesociology.com/2016/08/04/social-class-definition-introduction/

[46] Therborn, 2013, p. 49

[47] Therborn, 2013, p. 49

[48] Therborn, 2013, p. 49

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3. Training Material

Activity 1: What is inequality?

Inequality Speed Dating

Activity title	**Inequality Speed Dating**
Overview	Participants discuss the connection of different topics with inequality
Objectives	To get in contact with one another and gain insights into the breadth of the topic
Materials	Watch or phone to stop the time
Time	10 - 20 minutes
Group size	Works for all group sizes
Instructions for trainers	1. Ask everyone to walk around in the room and to stop and pair up whenever they hear a signal (e.g. a phone alarm). 2. Give the pairs two minutes time to first quickly introduce themselves to each other and then discuss how the word you name them is connected to inequality. Words from which you can choose are: self-esteem, diversity, child-wellbeing, drug abuse, education, climate change, imprisonment, mental health, obesity, physical health, and teenage births. Tell them that each person should have one minute of speaking time and you will give them a signal as soon as one minute is over. 3. After 2 minutes signal the end of this round and then repeat further rounds, in total between 3 and 5 times.
Debriefing and evaluation	Let the participants know that the topics will be dealt with in more detail later in the workshop.
Tips for trainers	You can play music for participants to move as they like between the pair's discussions.

Corridor of Equality

Activity title	**Corridor of Equality**
Overview	The participants discuss a corridor of what everyone needs for a good life and what are maximum acceptable limits to inequality.
Objectives	• To reflect on what would be an acceptable "corridor of equality" • To reflect on links between inequality, deprivation and wealth
Materials	-
Time	45 min
Group size	5-25 participants
Instructions for trainers	<u>Discussing a corridor of equality</u> The group is split in two with different tasks (25 min) Group A: (Minimum floor) - Discuss: What does everyone need for a good life? What is not measurable in money? How are the minimum requirements linked to upper limits? Group B: (Maximum ceiling) - Discuss: When does material and immaterial wealth start to become a democratic, ecological or social problem? Can you agree on a threshold? If not, what are the criteria?
Debriefing and evaluation	<u>Plenary:</u> (20 min) The groups present their perspectives. Debriefing discussion: - How are the minimum floor and maximum ceiling linked? - What is the role of power and democracy in this?
Tips for trainers	Above group size of 12, one can have 2 groups for each task. There is no "right" solution for what is an acceptable corridor of equality. The goal is to open up the thoughts about the links of minimum and maximum rights and therefore it is crucial to keep the focus on the principles that come up in the discussion.

Estimating one's position in the income distribution and carbon footprint

Activity title	**Estimating one's position in the income distribution and carbon footprint**
Overview	Participants use two online tools to estimate their position in the income distribution and their carbon footprint. As a follow up, they discuss their learnings and what links both outcomes.
Objectives	● To get an understanding where oneself is located in the income contribution in one's country, in Europe and in the world ● To get an understanding of one's carbon emissions and reduction potentials ● To understand how income and carbon emissions are connected
Materials	Laptops or Smartphones
Time	30 minutes
Group size	Works for all group sizes
Instructions for trainers	1. Ask the participants to open https://wid.world/simulator/ and estimate with this tool where in the income distribution they are situated compared to people of their country, Europe and the world. 2. Ask the participants to open https://you.climatepartner.com/en/carbon-calculator/choose-footprint and calculate their carbon footprint.
Debriefing and evaluation	Ask participants to share with the group what surprised them and what they have learnt. Following, ask them where they see the connection between income inequality and carbon inequality. For the debriefing of the exercise read chapter 1.3 "Resource Inequality".

Conscious Inequality Walk

Activity title	**Conscious Inequality Walk**
Overview	Participants go out of the workshop room/their home to perceive and reflect about how inequality shows up in their surroundings
Objectives	● To sharpen one's view on visible and invisible inequalities through conscious exploration and open discussion
Materials	Pens and papers
Time	45-60 minutes
Group size	Works for all group sizes
Instructions for trainers	1. Ask the participants to individually (or in pairs) take a conscious walk to reflect about inequality in their immediate surroundings. Choose 3-4 of the following questions to guide them through their reflection and ask them to note them down: - Where can you perceive inequality? - For whom is the environment you perceive built? - Who is missing, for whom is it hard to be there? - Which role does money play? - Where can you spot carbon inequality? - Who might have decided and designed what the place looks like? - Where around you could be inequality which you do not see? 2. Give them (at least) 20 minutes time for their individual walk and reflection and tell them by when they should be back in the room. 3. Either in the plenary or in small groups ask participants to share "Aha moments" which they had during their walk and discuss (20-30 minutes).
Debriefing and evaluation	For the debriefing read chapter 1.6 "Drivers of inequality". Some optional ideas for in-depth conversations: - What does an observer's perception tell about him/herself? About her understanding of inequality? - Why did some people not recognise inequalities where others did? - Bring in additional ideas concerning inequalities that might not be visible in our surroundings or that we might not perceive.
Tips for trainers	A popular activity that uses the physical space to learn about privileges and inequalities is the so-called "privilege walk". One version can be found below. The method needs to be used with caution and shouldn't be applied in all contexts, as it can be triggering for people facing forms of discrimination https://peacelearner.org/2016/03/14/privilege-walk-lesson-plan/

Activity 2: What can be done about inequality?

Inequality - so what? Analyzing societal well-being

Activity title	**Inequality - so what? Analyzing societal well-being**
Overview	Participants analyse the relationship of societal well-being and inequality in small groups.
Objectives	• To understand how welfare regimes are connected to inequality and different indicators of societal well-being
Materials	Printouts of graphics showing different effects of inequality
Time	25 - 35 minutes
Group size	Works for all group sizes
Instructions for trainers	1. Ask the participants to build small groups of 3 to 4 people and let each group pick one or two out of the following topics: Child-wellbeing, drug abuse, education, imprisonment, mental health, obesity, physical health, teenage births. 2. Ask the group to analyse the figures and describe how three groups of countries are located? (Which country group shows the highest and which the lowest level of inequality? How do the country groups score on the indicator of the graph?) The country groups are as follows: Countries A: Sweden, Denmark, Norway, Finland; Countries B: Germany, Austria, France; Countries C: USA, UK, Australia. 3. Go around during the working time to assist the groups in case they have questions 4. Ask several groups to present the outcome of their analysis to the whole group and visualise the results for country groups A, B and C on a board. 5. Afterwards, ask about the common denominator of the countries within one group.
Debriefing and evaluation	For debriefing the exercise read chapter 2.1 “How traditional welfare regimes deal with inequality”. Tell the participants that the country groups were formed according to their welfare regimes. Introduce the welfare regimes and conclude by emphasising that different welfare regimes lead to different levels of inequality, which come along with the different societal well-being effects that were analysed.
Tips for trainers	Connects well with the Inequality Speed-Dating exercise. Alternatively to working with printouts participants can also work with the graphics online: https://www.equalitytrust.org.uk/resources/the-spirit-level *Challenges that might occur:* If participants are not used to interpreting graphs that might be challenging for them. If you think this is the case for several participants of the group, first introduce them to it by analyzing one graph for the whole group. Otherwise, go through the room and answer questions/help where needed.

Tackling Inequality in times of Climate Crisis

Activity title	**Tackling Inequality in times of Climate Crisis**
Overview	Participants discuss consequences of different measures on inequality in times of climate crisis.
Objectives	• Participants understand that different measures represent different approaches to inequality. • Participants get a feeling of the multiplicity of social and environmental outcomes that might result from different measures. • Participants gain an insight into how well different inequality measures are suited to reduce inequality *without* overusing the biocapacity.
Materials	Cards with measures and short explanations (cut them in rows as each group is supposed to analyse two measures (one row)) Make sure to not cut measures into two due to page breaks!
Time	80 min
Group size	12-25 participants
Instructions for trainers	<u>Introduction (5 min)</u> Introduce, using chapter 2.2. "Tackling inequality in times of climate crisis", three different categories of approaches to combat inequality: -> **Taxes or levies** are a form of revenue for the government which can be used to redistribute resources as well as to make social 'bads' more expensive. -> **Cash benefits** like unemployment benefits or different forms of subsidies mainly look at the individual and her income and can effectively alleviate existential need and strengthen individual self-determination. -> **Social-ecological infrastructures** enable people to meet their needs with low resource consumption. <u>Group phase (45 min)</u> Each group chooses one of the five measure pairs. They write the two measures on a flipchart and analyse them in four sequences of brainstorming using different colors. Instruct them to think of all possible answers when brainstorming questions b to d. a) Which of the three categories (taxes/levies, cash benefits, socio-ecological infrastructure) do the measures belong to? (3 min) b) How could the proposed measure affect inequality? (red color) (15 min) c) What could be its impacts on the climate? (green color) (15 min) d) How effective is the measure in tackling both: inequality and carbon emissions? (black color) (15 min)
Debriefing and evaluation	<u>Plenary harvesting: (30 min)</u> Each group has 5 minutes to present the results. They should thereby focus on the key learnings (20 min). Afterwards the whole group discusses which they think is/are the most effective measure/s in social-ecological terms. (10 min).
Tips for trainers	*<u>Challenges that might occur:</u>* If groups are overwhelmed by the task, help them in their brainstorming to come to new ideas.

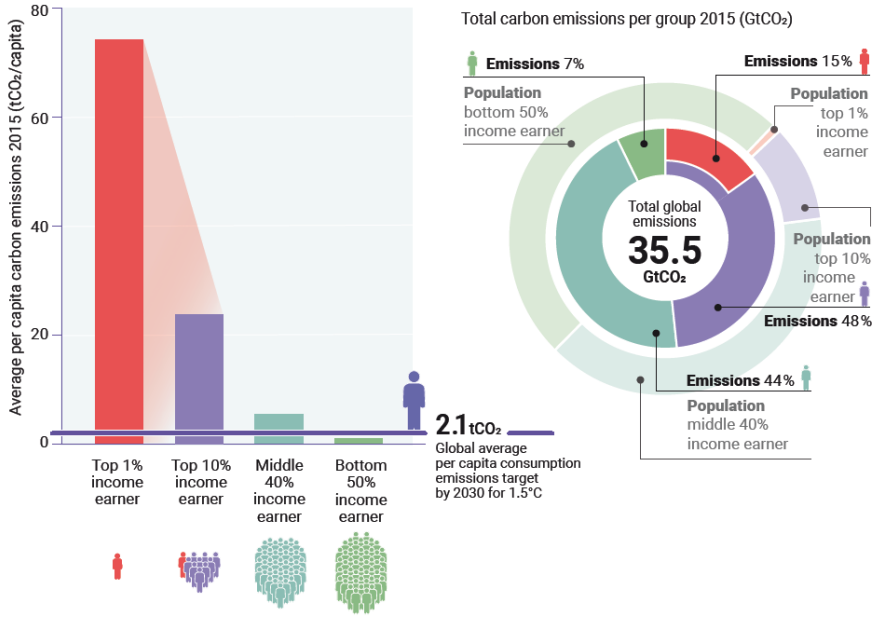
4. Interactive learning

Activity 1: Estimating one's position in the income distribution and carbon footprint

Activity title	**Estimating one's position in the income distribution and carbon footprint**
Objectives	• To get an understanding of where oneself is located in the income contribution in one's country, in Europe and in the world • To get an understanding of one's carbon emissions and reduction potentials • To understand how income and carbon emissions are connected
Time	30 minutes
Instructions	1. Open https://wid.world/simulator/ and estimate with this tool where in the income distribution you are situated compared to people of your country, Europe and the world. 2. Afterwards, open https://you.climatepartner.com/en/carbon-calculator/choose-footprint and calculate your carbon footprint.
Debriefing	Questions for reflection: What surprised you? What have you learnt? What do you think is the connection between income inequality and carbon inequality? Button: Want to know more? (Leads to the information below) **Incomes and emissions are strongly linked** In 2020, the richest 1% of the world's population emitted more than twice the combined share of the poorest 50%. Meeting the Paris Agreement's climate target of 1.5°C requires reducing emissions to a per capita lifestyle footprint of about 2-2.5 tCO2e by 2030, which means that the richest 1% would need to reduce their current per capita emissions by at least a factor of 30 and the richest 10% by a factor of 10, while the per capita emissions

of the poorest 50 % could still increase on average by a factor of three[49].

Figure ES.8. Per capita and absolute CO_2 consumption emissions by four global income groups for 2015



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[49] United Nations Environment Programme, 2020

[50] United Nations Environment Programme, 2020

Activity 2: #ShowInequality

Activity title	**#ShowInequality**
Objectives	● To sharpen one's view on visible and invisible inequalities through exploration of one's surroundings and to take a deliberate step to making them heard.
Time	30 minutes
Instructions	Participants are invited to explore and demonstrate inequality in their environment by taking a walk, taking pictures and posting them on social media. They are encouraged to link relevant institutions, community members or individual decision makers to learn voicing their own concerns. Impulse questions are the following: - Where can you perceive inequality? - For whom is the environment you perceive built? - Who is missing, for whom is it hard to be there? - Which role does money play? - Who might have decided and designed what the place looks like? - Where around you could be inequality which you do not see? Participants can use some of the following hashtags and create their own: **#ShowInequality #NotMyEquality #Unequal #InequalityIsReal**

Creative commons advice

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