

Global environmental justice and global income policy

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Abstract

Although income policy has traditionally been the domain of national governments, there are strong reasons for the development and adoption of a global income policy. First, growing inequality between and within nations create ethical, social and political concerns that are widely spread across countries. Second, as globalisation has led to a highly unstable global economy and financial-economic crises, in part because of rising inequality, there is growing recognition of the need for more effective global economic policy, of which income policy is an important part. Third, a global income policy, based on the notion of ‘environmental space’, can assist in addressing concerns about global ‘environmental overshoot’ and inequality in the consumption of resources. Although the adoption of a global income policy faces considerable political-economic hurdles, recent events and developments, including the global financial-economic crisis, the stagnation of ‘free trade’ talks, rising food prices, and popular demand for political-economic reform, notably in the Arab world, indicate a growing social and political support basis for such a policy.

Key Words: Global income policy, global economic policy, inequality, global environmental justice, globalisation, environmental space, Arab Spring, income and wealth distribution, free trade, food prices

1. Income policy

Income policy refers to the regulation of incomes for particular goals or objectives. During the era when Keynesianism was the dominant economic policy paradigm in the western world, income policy was an explicit and important policy plank in many countries. Even before then, social democratic governments can be credited with the adoption of income policies in the form of, for instance, the introduction of minimum wages, progressive income tax rates, capital and/or capital gains taxes, and succession taxes. Income policy can also include equal pay legislation (for men and women), the provision of government pensions and social benefits, subsidies to particular groups (for instance, for housing), and corporate income tax, among other. Thus, income policy potentially encompasses a very broad range of measures related to income, from whatever source, of all individuals and organisations.

Income policy serves mainly social, economic and political goals and objectives. Arguably, the initial and still most important rationale behind income policy is the protection of individuals and families from physical and social harm

caused by a lack of, or insufficient, income (the provision of a 'safety net'). With the development of welfare states, the protection of income came to be regarded a responsibility of the state rather than a matter of charity. Welfare states moved beyond the minimalist approach and expanded measures and provisions aimed at the promotion of individual and collective well-being.

Although income policy has become a responsibility of states, it is also a subject of international concern. A range of international agreements can be seen as the starting points of an incipient global income policy. The United Nations Convention on Human Rights states (in Article 23, clause 2) that: 'Everyone, without any discrimination, has the right to equal pay for equal work' and (in Article 23, clause 3) that 'Everyone has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection'. Furthermore, the Convention (in Article 25) states that 'Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control'.¹ These rights have been confirmed by the legally binding International Covenant on Economic, Social and Cultural Rights adopted in 1966.² The International Labour Organisation (ILO) has added to these with the adoption of such treaties as the Convention on the Right to Organise and Collective Bargaining, the Minimum Wage Fixing Convention, the Holidays With Pay Convention, and the Convention on Equal Remuneration.³ In 2010, the ILO produced a report promoting the creation of 'global social protection floor, starting with the provision of basic income security and affordable access to essential health care to all in need'.⁴ Although the implementation of these agreements leaves to be desired, they are forms of an (incipient) international income policy.

2. The case for a global income policy

The case for strengthening these efforts towards a global income policy rests on three grounds: first, a growing concern and sense of injustice about the degree of inequality in incomes between and within countries; second, economic globalisation and the need for the development and strengthening of economic policy and regulation at the global level; and third, as discussed above, the need to bring and keep global resource consumption to within sustainable levels while respecting equity concerns.

First, in recent years, concern has been growing about the big increase in inequality in income and wealth, within and between countries. In large part, these concerns are inspired by a sense of injustice about the 'obscene' disparities in income and wealth within societies, and the emergence of small groups of 'super-

rich'. In the United States, for instance, CEO pay increased from 'only' 40 times the income of an average worker in the 1930s to 367 times that in the early 2000s.⁵ In 2005, Jonathan Freedland reported that, in the United Kingdom, '200 to 300 hedge-fund managers will carve up \$4.2bn of pure profit between them'.⁶ There is considerable evidence that the more unequal a society, the bigger a broad range of social problems, providing support for the view that growing inequality is harmful to societies.⁷

At the same time as inequality has increased in many countries, there is also growing concern about the global distribution of income. Regardless of the methodological differences between studies, they all converge on the conclusion that the distribution of income in the world (measured on a PPP basis), with a Gini coefficient of around the mid-60, is more unequal than in any single country, including Brazil and South Africa, two of the most unequal countries in the world.⁸ Globally, the top 5 percent receive about 30 per cent of all income, and the top 10 percent around half. By contrast, the bottom 10 per cent receives only 0.7 percent of world income. The ratio between the top 5 percent and the bottom 5 percent is 165 to 1. These figures hide an even more unequal distribution at the individual level, given the clustering in quintiles and in part also because of the practice (adopted in the United States, among other) of 'top-coding' all incomes above a certain ceiling as equal to that ceiling, thus tempering the effect of extremely high incomes on income distribution.⁹

Discrepancies in wealth, a significant source of income, are even bigger. In 2000, by some calculations, 1 per cent of households held more than and 40 percent of global assets, and the top 5 per cent and the top 10 per cent 71 per cent and 85 per cent, respectively.¹⁰ The number of super-wealthy continues to grow rapidly, by 8.8 per cent in 2007 alone, increasing their collective accumulated wealth by 14.5 per cent.¹¹ In 2008, the number of billionaires in the world identified by Forbes crossed into four figures (1125), 42% of whom can be found in the United States.¹²

Economic globalization (with regard to trade, investment and financial capital) increasingly makes apparent the need for the adoption and strengthening of global economic policies and the regulation of economic transactions. There is growing recognition of the instability, risks and damage caused by an unregulated global economic market, reflected also in the stagnation of global negotiations on the expansion of 'free trade', particularly because of its effects on low and middle-income countries. Working conditions, workers' rights and relative as well as absolute levels of income are issues central to the legitimisation and acceptance of the further globalization of economic policy.

Global economic policy, in the form it has been pursued and implemented thus far (focused on the deregulation of finance and trade), is widely regarded as being too narrow, primarily serving the interests of transnational corporations. To protect the interests of most other groups, including those of countries that do not harbour

the headquarters of TNCs, global economic policy needs to be expanded to include many of the issues and concerns that are (or were) central to welfare states, including income distribution and policy. Economic globalization has contributed to the erosion of the welfare state in many countries, largely because of the economic ‘imperative’ to remain or become more competitive in the ‘global market’. Consequently, the protection of existing welfare states, and the introduction of welfare policies in other countries requires the development of a ‘global welfare state’ policy or meta-policy.

There is growing recognition that humans are now bringing about environmental overshoot on a global level, as reflected in climate change, the widespread destruction of ecosystems and decline of biodiversity, and increasing or looming scarcity of resources in the face of continued population growth and demand for resources.¹³ Where, in the past, environmental overshoot has led to the collapse of local or regional civilisations, the interdependence of production and consumption between countries now produces overshoot on a global scale that requires a global response.¹⁴

The notion of ‘environmental space’ has been put forward as a cognitive framework for assessing (tentatively) the total scale of resource use and consumption that can be considered sustainable, based on locally, regionally and globally defined environmental parameters, and for calculating the extent of resource consumption by countries or groups, making apparent the inequality in this respect, notably on a per capita basis. The environmental space approach is based on two main principles: that total resource consumption should be brought and kept within sustainable limits (the environmental limits principle), and that all humans should have the right to an equal share in the consumption of resources (strong equity principle).¹⁵ As income and wealth are the main variables affecting the level of consumption and the demands for resources, the elimination of excessive consumption is unlikely to occur without addressing the problem of excessive income and wealth.¹⁶

Although the grounds for adopting an effective global income policy may be strong, it faces formidable political and economic obstacles. In the last two decades, many governments have pursued policies that increased income inequality, for instance, by reducing the progressive nature of income taxes and by adopting or increasing indirect taxes (such as the value added tax), which weigh more heavily on lower incomes than on high incomes. This shift has been deliberate, justified on neo-liberal ideological grounds, promoting ‘competition’ and the interests of well-placed individuals and businesses.¹⁷ The need to remain or become more ‘competitive’ with other countries, in the context of economic globalisation, has been a main part of the argument.

However, recent events and developments, including the global financial crisis, the stagnation of ‘free trade’ talks, rising food prices, and popular demand for democracy, notably in the Arab world, can be seen as providing growing support

for the idea as well as signs of social mobilisation in support for a strengthening of global institutions to enhance global justice. The following section will briefly discuss how these developments strengthen the support basis for a global income policy.

3. Growing support for a global income policy in a world in turmoil

That the world needs to significantly strengthen collective institutional capacity to regulate the now global economy is increasingly recognised by economic experts.¹⁸ Even the IMF, traditionally a staunch supporter of ‘corporate globalisation’,¹⁹ expressed concern about the inadequacy of the global response to the recent crisis.²⁰ Hence, among experts, support is building for a more fundamental reform of the global financial-economic system, although this is resisted by powerful vested interests, who, thus far, have been able to restrain political leaders from implementing such reform.

The case for the adoption of a global income policy and that for a broader reform of the global financial-economic system are mutually reinforcing. As Stiglitz and others make clear, the significant increase in income inequality, within the United States and some other countries, as well as between countries, is a factor that has contributed to the crisis, in particular because it has fuelled borrowing (by consumers and governments) and weakens aggregate consumer demand.²¹ Hence, income policy is not only justified on moral grounds, but is also economically desirable if not necessary to maintain national and global economic stability. However, a global income policy is unlikely to be adopted if it is not an integral element (or ‘tool’) of a global financial-economic policy framework, given its potentially significant economic ramifications. Hence, there is growing support for a global income policy in international economic circles based on solid economic theory that is emerging as a post neo-liberal paradigm. The importance of such a cognitive support basis cannot be underestimated as economic reform is only likely to have a chance if a ‘sound’ alternative economic theory gathers sufficient support to displace the discredited neo-liberal economic paradigm.

While there is a growing support for a global income policy among the global economic epistemic community, there is a high level of discontent among people, organisations and governments in low and middle income countries about ‘trade liberalisation’ policies. The stalling of the WTO ‘free trade’ talks can be largely attributed to a growing realisation in the so-called ‘developing countries’ that most people in those countries have gained little if anything from, or have been adversely affected by, such policies.²² Trade liberalisation benefits mainly Transnational Corporations, but has contributed to an increase rather than a decrease of income inequality between and within countries.²³ The resistance against the further expansion of ‘free trade’ is unlikely to relent unless a guarantee can be provided that people in low and middle-income countries will gain

demonstrably from an overhaul of the international policies and institutions that govern trade.

It has been argued that, at least in part, the recent upheaval in the Arab world has been triggered by rising food and fuel prices, which push millions of people into poverty.²⁴ Increasingly, food production around the world has become integrated into a 'global food system' dominated by TNCs.²⁵ As the expansion of free trade and financial-economic globalisation have subjected the economies of many countries to a process of restructuring that has made people more dependent on food imports, they have also become more vulnerable to prices rises, aggravated by speculation, when global supplies decline.²⁶ Rising food prices, along with rising fuel prices, weigh most heavily on the poor.

Whether the uprisings in Arab countries should be seen foremost in the light of a growing desire for democracy (an 'Arab Spring') or as a sign of desperation and anger about social and economic conditions and injustice is a moot point. Revolutions are commonly fuelled by a combination of social-economic and political circumstances as well as ideals, and the revolutions in the Arab world are likely to have been fuelled at least as much by social-economic conditions, including inequality, as by a desire for democracy.

Apart from bringing about political change in several countries, the events in the Middle East are of global importance. They remind governments around the world of the potential political implications of the growth in inequality. Already, they have had ripple effects in many countries, provoking, on the one hand, an even fiercer than normal suppression of dissidents, such as in Syria, Bahrain, China and Uganda, and on the other hand, an increase of the provision of social and economic benefits to citizens, as in Saudi Arabia. If anything, the popular uprisings in the Middle East should remind all governments of their own vulnerability when citizens say 'enough is enough'. Just like in the 19th century, when the fear for revolution provided the ferment for governments in Western Europe to create welfare states, the wider demonstration effect of the Arab revolutions may assist in the creation a global social welfare system.

4. Conclusion

Arguments in favour of a global income policy stem from growing concerns about rising inequality in income and wealth, between and within countries, recognition of the need to strengthen global economic policies and institutions, and the view that the remaining 'environmental space' in the world should be shared equitably. Global income policy, like the income policies that have been pursued by states, can encompass a broad range of measures aimed at promoting the welfare of citizens. Financial-economic globalisation has run ahead of political globalisation, creating an unstable economic system that has aggravated rather than diminished inequality. The recent financial-economic crisis has made the need for

strengthening global economic policies even more apparent and imperative. A global income policy needs to be an essential component of a new global regulatory framework, for economic, social and environmental reasons. Although, understandably, the adoption of such a framework meets strong opposition from powerful vested interests, there is also a growing support basis for its establishment from within the economic epistemic community, social movements that advocate ‘alternative globalisation’ (rather than ‘free trade’), and among those (in the Arab world and elsewhere) who fight for democracy, human rights and social security, and against oppression, exploitation and inequality.

Notes

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² ———, ‘International Covenant on Economic, Social and Cultural Rights,’ (1966).

³ International Labour Organisation (ILO), ‘Rules of the Game: A Brief Introduction to International Labour Standards,’ (Geneva: International Labour Organisation, 2005).

⁴ ———, ‘World Social Security Report 2010/11: Providing Coverage in Times of Crisis and Beyond,’ (Geneva: International Labour Office, 2010), Share the World’s Resources (STWR), ‘World Social Security Report 2010/11,’ <http://www.stwr.org/poverty-inequality/world-social-security-report-2010/11.html>.

⁵ Paul R. Krugman, *The Conscience of a Liberal* (New York and London: W.W. Norton & Company, 2009), 142.

⁶ Jonathan Freedland, ‘The Problem of the Rich,’ *The Guardian Weekly*, December 2-8 2005.

⁷ Richard G. Wilkinson and Kate Pickett, *The Spirit Level: Why Greater Equality Makes Societies Stronger* (New York, Berlin, London: Bloomsbury Press, 2009).

⁸ Branko Milanovic, *Worlds Apart: Measuring International and Global Inequality* (Princeton, NJ: Princeton University Press, 2005), 108, ———, ‘Global Income Inequality: What It Is and Why It Matters,’ in *World Bank Policy Research Working Paper 3865* (World Bank, 2006), 14-16.

⁹ ———, ‘Global Income Inequality: What It Is and Why It Matters,’ 11.

¹⁰ James B. Davies et al., ‘The World Distribution of Household Wealth,’ (2007), 7.

¹¹ Capgemini/Merrill Lynch, ‘World Wealth Report 2008,’ (2008).

¹² Luisa Kroll, ‘The World’s Billionaires,’ *Forbes*, 5 March 2008.

- ¹³ Will Steffen, Johan Rockström, and Robert Costanza, 'How Defining Planetary Boundaries Can Transform Our Approach to Growth' *Solutions Journal* 2, no. 3 (2011), <http://www.thesolutionsjournal.com/node/935>.
- ¹⁴ Jared M. Diamond, *Collapse: How Societies Choose to Fail or Succeed* (New York: Viking, 2005).
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- ¹⁶ Hervé Kempf, *How the Rich Are Destroying the Earth* (White River Junction, Vt.: Chelsea Green Pub. Co., 2008).
- ¹⁷ Krugman, *The Conscience of a Liberal*.
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- ²² Rajesh Makwana, 'Reforming International Trade,' Share the World's Resources (STWR), <http://www.stwr.org/imf-world-bank-trade/reforming-international-trade.html>, Mamerto Pérez, Sergio Schlesinger, and Timothy A. Wise, 'The Promise and Perils of Agricultural Trade Liberalization. Lessons from Latin America,' Washington Office on Latin America and Global Development and Environment Institute, Tufts University, <http://ase.tufts.edu/gdae/wgoverview.htm>.
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