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Abstract

What is the relationship between human rights and inequalities in income and wealth? Different approaches to understanding inequality have distinct implications for how we think about issues of well-being and social justice. The human rights framework offers an approach that stands in marked contrast to neoclassical economic theory. The human rights approach has started to engage more thoroughly with the question of inequalities in income and wealth, but offers only partial guidance on the implications of increasingly polarized societies. This paper looks at how income and wealth inequality affects realized outcomes with regard to the enjoyment of specific rights and how the distribution of resources affects political dynamics and power relations within which specific rights are realized.

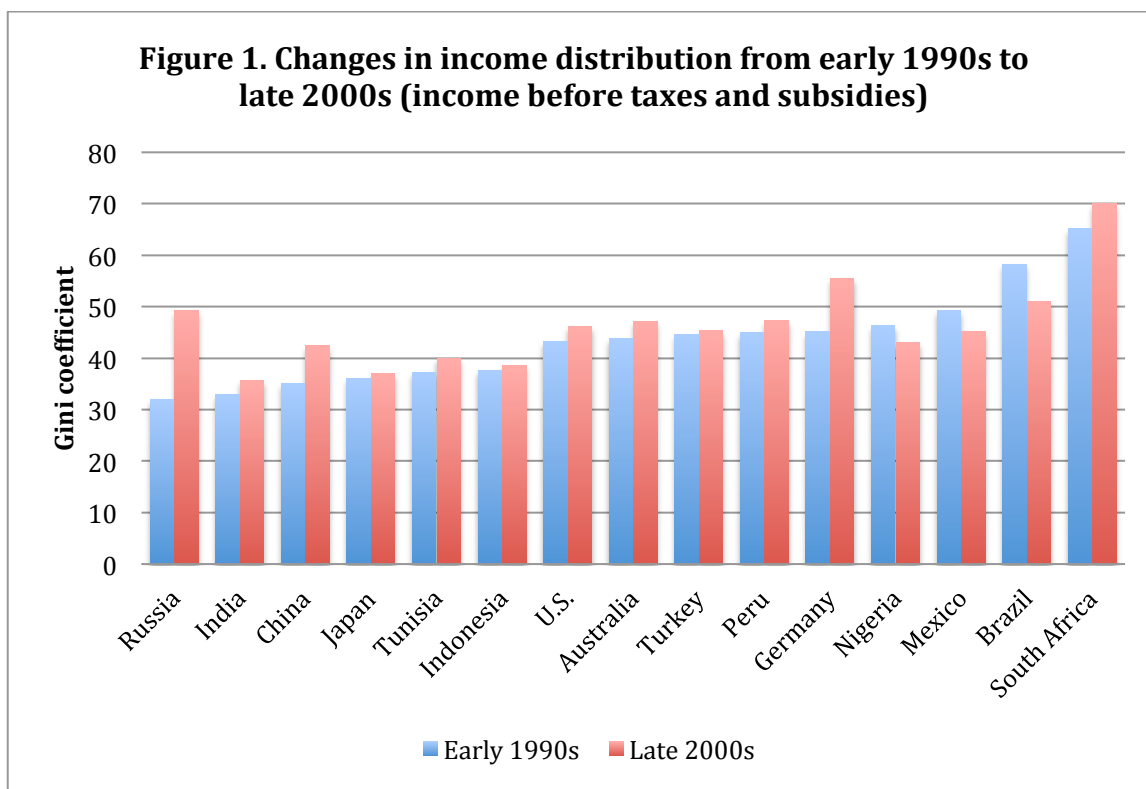
¹ The authors would like to thank Gillian MacNaughton, Stephanie Seguino, and Sam Streed for helpful comments and suggestions and Morgan Campbell for research assistance.

What Does Inequality Have to Do With Human Rights?

INTRODUCTION

The realization of human rights cannot be separated from broader questions of economic and social justice. Global financial and economic crises, armed conflict and militarism, dangers to public health, gender based and other forms of violence, food insecurity and climate change have intensified vulnerabilities and have threatened the realization of rights. Within this constellation of factors affecting the realization of rights, inequality in income and wealth has emerged globally as an area of growing concern. The human rights framework has started to engage with the question of inequalities in income and wealth, offering partial guidance on the implications of increasingly polarized societies and what obligations governments have to address this issue. Given the rise in inequality it is critical to more fully understand the connections between realization of human rights and inequality.

This paper explores the relationship between human rights and inequalities in income and wealth. It begins with a consideration of different approaches to understanding inequality – with a specific critique of the approach of the economic theories that dominate current policy discourse. The mainstream economics approach is then contrasted with one based in the human rights framework. The paper then turns to the question of how income and wealth inequality affects realized outcomes with regard to the enjoyment of specific rights. The paper considers how the distribution of resources affects political dynamics and power relations within which specific rights are realized. Pulling this analysis together, it concludes with a summary of the impact of inequality on human rights and what the human rights framework has to say about the distribution of income and wealth in society.



Source: Estimates from UNDP. 2013. *Humanity Divided. Confronting Inequality in Developing Countries*. New York: United Nations Development Program.

Current levels of inequality are extreme and, in many countries around the world, there has been an upward trend in income and wealth inequality since the 1980s.² A 2014 study found that nearly half of the world’s wealth was owned by just one percent of the population and the wealth of the richest one percent amounted to \$110 trillion, or about 65 times that of the bottom half.³ One measure of inequality is the Gini coefficient. The Gini coefficient is a number between zero and one that would take on a value of one if all income were held by a single person and a value of zero if income were shared equally. A larger Gini coefficient therefore indicates greater inequality. Figure 1 shows that, within many countries in a range of distinct regions, the Gini coefficient has increased from the early 1990s to the late 2000s – indicating worsening

² UNDP. 2013. *Humanity Divided. Confronting Inequality in Developing Countries*. New York: United Nations Development Program.

³ Oxfam. 2014. *Working for the few: political capture and economic inequality*. Oxfam Briefing Paper 178, January.

inequalities. Among the countries shown in Figure 1 only Brazil, Mexico, and Nigeria show a decline in inequality. Elsewhere, inequality has intensified.

The extent of income and wealth inequality at both the national and global levels has potentially important implications for the realization of human rights. But equally important, expanding inequalities raise important questions of what is fair and just. The human rights framework, as one approach to evaluating economic and social outcomes with regard to social justice, must engage with the question of inequality – how much, if any, inequality is acceptable and what limits does growing inequality place on the fulfillment of basic rights?

APPROACHES TO UNDERSTANDING INEQUALITY

When people speak of inequality, they often have in mind an unequal distribution of income or wealth. However, people experience inequalities across a number of dimensions. There are inequalities in educational attainment, in health, and in the distribution of power. The free time men and women have is unequally distributed, once all demands for work, both paid work on the job and unpaid work at home, are taken into account. Inequalities in income and wealth are associated with other disparities. For instance, low-income households have worse health outcomes on average.⁴ Furthermore, inequalities can be measured with respect to different units of society – between individuals, between households, between social groups (e.g. race, gender, and ethnicity), and between countries. The emphasis in this paper is on inequalities in income and wealth between individuals, households, social groups, and countries and the relationship of these inequalities to human rights.

⁴ Subramanian, S.V. and Ichiro Kawachi. 2004. Income inequality and health: what have we learned so far? *Epidemiologic Reviews*, 26: 78-91.

Inequality can be defined in various ways and the generic term “inequality” actually reflects a range of distinct inequalities. One important distinction is between “horizontal inequality” and “vertical inequality”. Horizontal inequality is defined as inequality between culturally defined or socially constructed groups. Inequalities with respect to gender, race, ethnicity, religion, caste, and sexuality are all examples of horizontal inequalities. Vertical inequality refers to inequality between individuals or between households. The overall income or wealth distribution of an economy reflects vertical inequality, as do commonly used measurements of inequality, such as the Gini coefficient. The distinction between horizontal and vertical inequality is particularly salient when considering the human rights framework, since the issues around horizontal inequality are much more developed in discussions of economic and social rights than are issues around vertical inequality.

There are many approaches to analyzing and assessing the impact of inequalities, with the human rights framework representing just one tradition. In economics, the dominant approach has been neoclassical economics, which is a theoretical framework used to explain the determination of prices, decisions over production and consumption, and the distribution of income. Individual rational choice constitutes the core of neoclassical theory – each firm makes choices to maximize its own profits and individuals or household maximize their own “utility,” that is, the satisfaction they get from their consumption decisions. Although neoclassical economics has a theory of what determines income distribution based on the productivity of labor, capital, and other factors of production, it sidesteps the question of the consequences of inequality and instead evaluates economic outcomes primarily in terms of efficiency. Given the dominance of neoclassical theory in evaluating and analyzing economic outcomes, it is worthwhile examining the relationship between this approach and inequality in some detail. We will then look at how the human rights framework incorporates issues of inequality.

In the neoclassical theory, the distribution of assets, individual preferences, and technology are all taken as given. From this starting point, production takes place, consumers make choices, and markets coordinate exchanges. If markets remain unfettered and individuals can choose freely, according to the theory, the end result will be an efficient allocation of the goods and services produced in the economy. What does “efficient” mean? In this case, it means that no one can be made better off without making someone else worse off – a concept referred to as “Pareto efficiency” after the Italian economist, Vilfredo Pareto, who wrote in the 19th and early 20th centuries. Note that the idea of Pareto efficiency says nothing about income or wealth inequality. You could have a very unequal society that is also efficient in the Pareto sense.

One practical application of the idea of Pareto efficiency is the use of cost-benefit analysis to evaluate policy choices. Cost-benefit analysis measures the costs and benefits of implementing a particular policy – if the benefits are greater than the costs, the policy should be adopted. The concept of Pareto efficiency is used to justify this approach. If those who benefit were to compensate those who lose (i.e. those who pay the costs) of a particular policy, the winners could fully compensate the losers, making some better off without making anyone worse off – i.e. the definition of an improvement in Pareto efficiency.⁵ Such compensation hardly ever takes place. Therefore, in practice, cost-benefit analysis ignores the distributive consequences of policy choices. The rich could receive all the benefits of a particular policy and it would still be deemed a social improvement as long as the benefits outweigh the costs.

Within the neoclassical framework, the distribution of wealth – who owns what assets – is determined prior to economic production, market exchange, and income

⁵ The idea that a policy could be judged as having an improvement in social welfare if the winners could hypothetically compensate the losers is sometimes referred to as the Kaldor-Hicks criterion, after economists Nicholas Kaldor and John Hicks.

generation, with incomes coming from wages paid and profits earned. In an efficient economy, the technical character of production determines the distribution of income. Wages are assumed to be determined by the productivity of labor and profits from the productivity of capital. Therefore, the question of what is a just distribution of income and wealth falls outside of the purview of economic theory. Neoclassical thinking is largely silent on questions of inequality, and instead focuses on defining the conditions under which an efficient allocation of resources emerges, taking some of the most important factors that determine well-being as being determined prior to production, consumption, and exchange.

Preferences also have a major role to play. Neoclassical economics assumes that preferences are given and that the order of preferences defines individual measurements of well-being. In other words, a person may prefer A to B and B to C. Given this information, a number can be assigned to A, B, and C that preserves this ordering (A is better/greater than B which is better/greater than C). This number – called “utility” – is interpreted as an indicator of individual well-being. The exact value assigned to utility is arbitrary as long as the numbers preserve the preference ordering. But there is a catch – since the numerical value of utility is arbitrary, standard neoclassical theory assumes that the value of utility cannot be compared across individuals. Under the solution to the neoclassical model, all individuals are achieving the highest possible utility (remember: with a given set of preferences, asset distribution, and technologies). However, we cannot say whether any single person is “happier” than any other person. Utility is purely subjective.

This assumption effectively rules out any consideration of inequality in a social assessment of well-being.⁶ Why? According to the theory, the poorest person in society will maximize utility as will the richest person. But we cannot say that the poorest person is any less happy or satisfied than the richest person, because utilities

⁶ Sen, Amartya. 1992. *Inequality Reexamined*. Cambridge, MA: Harvard University Press.

cannot be compared across individuals. Since utilities are subjective, the rich could be miserable in the midst of their abundance while the poor are blissfully content with what little they have. All we can say is that everyone is as happy as they, as individuals, could possibly be, given their preferences, their assets, and the available technology.

Variations on neoclassical theory attempt to get around this problem by introducing a “taste” for equality.⁷ Individuals still maximize their own utility, but with this twist, they can have preferences for redistribution based on their subjective assessment of how other people are doing. But this does not get us very far. These tastes are still given and fixed. If we follow this line of thinking, the acceptable level of inequality is once again determined by the arbitrary factor of ‘taste’.

However, there is growing concern about what is an acceptable level of inequality in society. It is generally agreed that inequalities are important to take into account when deciding whether societies are just or fair, but neoclassical economic theory does not seriously contend with the question of inequality. Values about inequality and redistribution are not simply about an individual’s current position in the economy, with poorer households more critical about an unequal distribution of resources. A number of factors shape these values: culture, personal history, family, education, social norms, and perceptions of economic mobility, among others. This indicates that people routinely make interpersonal comparisons of well-being and these comparisons are central for assessing the fairness of a situation. Unlike neoclassical economics, any framework for social justice which features concern over inequality must allow for some comparison of well-being across individuals. Inequality raises the consideration of welfare to the social level. Instead of using a concept based on a narrow idea of

⁷ Alesina, Alberto; Giuliano, Paola. 2009. Preferences for redistribution, IZA discussion papers, No. 4056. <http://nbn-resolving.de/urn:nbn:de:101:1-20090327233>.

individual satisfaction or prescribed tastes, comparisons of well-being between individuals and between groups allow us to consider the issue of fairness.

In considering questions of fairness and justice, a distinction is often made between equality of opportunity and equality of outcome. Equality of opportunity typically means that all people are treated identically, for instance, in the application of the law, when making employment or credit decisions, or in determining access to education or health care. The idea of equality of opportunity is closely linked to the concept of meritocracy and is perfectly consistent with inequalities in income and wealth outcomes. It typically assumes that societies will be stratified – with some people occupying more privileged positions than others.

In this situation, there must be a mechanism for allocating the better social and economic positions to individuals in a way that is fair and unbiased. If there is equality of opportunity, then equivalently qualified individuals will have the same chance of securing a favorable position in society and will not be excluded on the basis of arbitrary criteria such as gender, race, or the socio-economic standing of their parents. Equality of opportunity stresses that people should have similar choices available to them, although they may have different talents, skills, and abilities that make them more suited to certain pursuits than others. If equality in opportunities is secured, then inequalities in income and wealth are a result of the choices people make and the endowments they happen to have as individuals.

In contrast, fairness and social justice can be defined in terms of realized outcomes. Realized outcomes can be measured along a number of dimensions: income, wealth, health, education etc . Depending on how equality of outcome is defined, it may or may not imply equality of financial resources. For example, someone with a chronic illness or disability may require greater medical expenditures to have similar well-being outcomes as a person without these health challenges. Equalizing health

outcomes does not imply that the resources used to access health services are equally distributed.

John Rawls developed a particular approach to social justice based on realized outcomes, linked to freedom of choice. In deriving his arguments, he used a concept called the “veil of ignorance.”⁸ Imagine that you are free to choose the society in which you will live, including the degree of inequality in that society. The only catch is that you do not know which social position you will occupy. In the case of income inequality, you have the same chance of being the richest person as being the poorest. Rawls argued that people would choose the society in which the poorest (or least well off) were in the best possible position that could be achieved. Notice that this does not imply equality of outcome. Some individuals may occupy a more privileged position, but only if, by granting them a better place in society, they improve outcomes that make the poorest better off. For example, some people may become higher paid doctors or engineers who, through their education and skills, generate social benefits that help the least advantaged.

Rawlsian approaches to social justice emphasize the importance of individual freedoms, for example, asking the question of which society people would freely choose, if they had the opportunity to do so. The capabilities approach, pioneered by Amartya Sen⁹, also emphasizes individual freedoms. It conceptualizes individual well-being not in terms of levels of utility as in the neoclassical framework but in terms of substantive choices and opportunities, in terms of how far a person can do and be the things they have reason to value, such as being free from hunger and having the choice to take part in the life of the community. It poses well-being as inherently multi-dimensional and not reducible to a single dimension.

⁸ Rawls, John. 1971. *A Theory of Justice*. Cambridge, MA: Belknap Press (Harvard University).

⁹ Sen, Amartya. 1980. Equality of What? in S. McMurrin (ed) *Tanner Lectures on Human Values*, Vol.1 Cambridge University Press, Cambridge.

Looking deeper into these issues, it is often impossible to clearly separate equality of outcome from equality of opportunity. Suppose we extend the concept of equality of opportunity to mean that individuals should have similar choices in the course of their lives – in other words, equality of opportunity can be framed in terms of the concept of capabilities.¹⁰ However, people will not have similar choices if they lack the income needed to pursue those choices, if they die prematurely from a preventable illness, or if they are shut out of educational opportunities.

The human rights framework has at its core the principles of non-discrimination and equality. According to the nondiscrimination principle, the realization of rights should not differ across individuals based on gender, race, ethnicity, nationality, or other social grouping – in other words, there is a strong emphasis on horizontal equality in the human rights framework. People should also have equal opportunity to claim their rights – i.e. that human rights principles should apply to all persons equally. Note that this does not necessarily imply a perfectly equal distribution of income and wealth. The distribution of resources in society consistent with a human rights approach would be one that guarantees that individuals have an equal enjoyment of the realization of their basic rights without discriminatory outcomes. We discuss the implications of what this means later in the paper.

The term “equality” in the expression “non-discrimination and equality” is often interpreted to refer to formal legal equality, meaning that all people are equal before the law – that is, the laws apply to all people and should be applied by the courts equally to all. But the Universal Declaration of Human Rights also stresses that people enjoy “equal protection of the law” – implying that the laws themselves should provide for equal treatment, that states must extend the same rights and privileges to all citizens. Within the human rights framework, this implies that the government must

¹⁰ Sen, Amartya. 2009. *The Idea of Justice*. New York: Penguin Books.

treat all people equally when it takes steps to insure that rights are protected, respected and fulfilled.

Moreover, subsequent clarifications by human rights treaty bodies have made it clear that non-discrimination and equality also refers to substantive equality.¹¹ Human rights look beyond equality of treatment and opportunity, and embrace the idea of substantive equality. This approach recognizes that there are structure sources of inequality and indirect forms of discrimination. Therefore, equality has to be understood in relation to outcomes and results in addition to opportunities and conduct. If we focus on equality of outcomes, different treatment might be required to achieve realized equality of outcomes in many cases.

Before turning to the question of how inequality in income and wealth affects the realization of human rights, it is helpful to briefly consider the question of poverty and its relationship to the issues discussed here. Inequality in income and wealth is related to the concept of poverty, defined in terms of income or consumption, but the two are distinct concepts. Measurements of poverty focus on the lower end of the income distribution and therefore provide a partial and incomplete picture of the entire distribution of income. Poverty is a measure of deprivation, not of distribution. The poverty threshold is typically defined by the income or expenditures required for a household to purchase a minimum basket of consumption goods and services. If income or consumption expenditures fall below this threshold, the members of that household are considered to be poor. Lower rates of poverty do not necessarily imply less inequality. Poverty declines when the incomes of poor households increase, but inequality can still worsen if the incomes of the well off grow even faster.

¹¹ 2005. General Comment No. 16 on the Equal Right of Men and Women to the Enjoyment of All Economic, Social and Cultural Rights: Art. 3 of the International Covenant on Economic, Social and Cultural Rights (2005). E/C.12/2005/4.

International comparisons of poverty rates are difficult because the nature of deprivation is often context-specific and different countries utilize different definitions of poverty. The World Bank uses a poverty line of \$1.25 per person per day, adjusted for price differences, to generate international estimates of poverty. However, this poverty line is quite arbitrary and therefore has serious shortcomings.¹² For example, the \$1.25 per day threshold is not appropriate for measuring poverty in high-income countries, since most households in these countries that are clearly poor will have incomes that exceed this international cut-off. Even among developing economies, being below the \$1.25 threshold will have different meanings from one country to the next.

Not all concepts of poverty use an absolute threshold, below which a household is considered to be poor. In the European Union the poverty line is typically set at 60 per cent of median equivalized household income¹³. This approach to measuring poverty reflects the concept of “relative poverty”. Relative poverty is defined in relation to the median standard of living. Specifically, the relative poverty line is often defined as some fraction of median income. Concepts of relative poverty have the advantage of recognizing that needs are socially determined and that deprivation is experienced in relation to the typical standard of living in a society. It means that the poverty line, in terms of real income, goes up when real median income rises. But this also means that the poverty line falls when real median income falls. Because relative poverty is defined relative to median living standards, it is more directly related to measurements of inequality. When relative poverty increases, income inequality must have increased, at least in the lower half of the income distribution.

¹² For a critique of the dollar a day poverty measure see Reddy, Sanjay G. and Thomas Pogge. 2010. “How Not to count the Poor” in S. Anand, P Segal, and J. Stiglitz eds. *Debates on the Measurement of Global Poverty*. Oxford: Oxford University Press.

¹³ Formally known as the ‘at risk of poverty threshold’ . See http://eurostat.ec.europa.eu/statistics_explained/index.php/Mainpage. Incomes are measured after social transfers and adjusted via a process known as ‘equivalisation’ to take account of the idea that larger families need less income per head to reach the same living standards as smaller families, due to economies of scale in the purchase of some household goods and services.

The issue of income poverty has been investigated by the former Independent Expert/Special Rapporteur on Human Rights and Extreme Poverty, Magdalena Sepulveda Carmona, who has used a more expansive understanding of extreme poverty more in line with concepts of relative poverty. She noted that:

*different countries have different levels of resources and their different circumstances must be taken into account when assessing efforts to combat existing levels of poverty and social exclusion. To assess compliance with economic, social and cultural rights obligations, the level of scrutiny for developed States, such as Ireland, is higher than for middle-income or low-income countries.*¹⁴

In a report on her mission to Ireland in 2011, she based her assessment on the concept of poverty used by the government of Ireland:

*People are living in poverty if their incomes and resources (material, cultural, and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally*¹⁵

The United Nations Committee on Economic Social and Cultural Rights has adopted an approach similar to the capabilities approach and stressed that governments have an obligation to secure minimum core levels of the fulfillment of economic and social rights. In this approach, deprivation is defined with regard to the specific right in question, rather than a level of income – e.g. housing, food, health, or social security.

¹⁴ Carmona, Magdalena Sepulveda. 2011. Report of the independent expert on the question of human rights and extreme poverty, Mission to Ireland, Human Rights Council, A/HRC/17/34/Add 2

¹⁵ Ibid

As the Committee states with regard to the International Covenant on Economic Social and Cultural Rights (ICESCR):

*... a minimum core obligation to ensure the satisfaction of, at the very least, minimum essential levels of each of the rights is incumbent upon every State party. Thus, for example, a State party in which any significant number of individuals is deprived of essential foodstuffs, of essential primary healthcare, of basic shelter and housing, or of the most basic forms of education is, prima facie, failing to discharge its obligations under the Covenant.*¹⁶

The Human Rights Council has agreed that the human rights approach imposes conditions on prioritization in policy-making to protect poor people against trade-offs that may be harmful to them, especially trade-offs that lead to retrogression from existing levels of realization of human rights or lead to non-fulfillment of these minimum core obligations.¹⁷

However, our goal here is to look beyond the issue of minimum core levels, and explore the implications of inequality for the realization of rights. The extent of inequality matters to human rights – specifically with regard to inequalities in the realization of specific rights. When it comes to the question of inequalities in income and wealth, the human rights framework, as it is currently interpreted, is less precise in defining obligations than in relation to other dimensions of inequality.¹⁸ In part, this is because income and wealth are means to an end, not the end itself. Having a certain level of income helps people realize their rights – to health, education, housing, an

¹⁶ Committee on Economic Social and Cultural Rights. 1990 General Comment 3. The Nature of states Parties' Obligations. 5th Session. UN Doc E/1991/23.

¹⁷ Office of High Commissioner for Human Rights. 2012. Principles and Guidelines for a Human Rights Approach to Poverty Reduction Strategies, HR/PUB/06/12, Geneva

¹⁸ Mac Naughton, Gillian. 2013. "Beyond a Minimum Threshold: the Right to Social Equality" in L. Minkler ed. *The State of Economic and Social Human Rights: A Global Overview*. Cambridge: Cambridge University Press.

adequate standard of living, and so forth. But it is the rights, taken together, that are important, rather than the precise channel through which they are realized. What we need to look at is how inequality in income and wealth affects the realization of rights and what should be done about it.

INEQUALITY IN INCOME AND WEALTH AND THE REALIZATION OF RIGHTS

Income and wealth inequality have a direct impact on the realization of certain rights. That is, inequality often is associated with poorer outcomes with regard to health, education, and other economic and social rights.¹⁹ It is not surprising that richer households enjoy better outcomes than poorer ones. However, inequality itself can lead to worse outcomes – even controlling for the level of income. Put another way, low-income households in a very unequal society may do worse than households with the identical income in a more equal society.²⁰ In this section we will focus on rights to education, health, housing and a life free from violence to show the links between inequality and the realization of rights.

The Universal Declaration of Human Rights states that everyone has the right to education and that education should be free at least at the elementary level.²¹ Studies have shown that greater inequality is associated with lower educational achievement.²² One significant factor determining access to education and unequal educational outcomes is the allocation of government spending. Income inequality partly determines inequality in access to education, but access also depends on how public resources for education are distributed. Poorer communities can have strong schools if there is public support for quality education. Unequal educational access and outcomes potentially have a long-term impact on the realization of other rights in that

¹⁹ Wilkinson, Richard and Kate Pickett. 2009. *The Spirit Level: Why More Equal Societies Almost Always Do Better*. New York: Bloomsbury Press.

²⁰ Ibid.

²¹ Universal Declaration 1948 United Nations

²² UNDP .2013.*Humanity Divided: Confronting Inequality in Developing Countries*. UNDP

there may be ‘opportunity hoarding.’ Opportunity hoarding refers to “the process through which disparities become permanent. This occurs when certain defined groups take control of valuable resources and assets for their benefit and ‘seek to secure rewards from sequestered resources’. And this might be different types of resources such as public expenditure, access to quality education, or profitable jobs”²³ We discuss these political dynamics later in the paper.

Article 12 of the International Covenant on Economic Social and Cultural Rights recognizes “the right of everyone to the enjoyment of the highest attainable standard of physical and mental health”.²⁴ Countries with higher levels of income inequality have worse health outcomes – in terms of key indicators, such as life expectancy – compared to other countries with similar levels of GDP.²⁵ Inequality affects children’s health as well. Figure 2 shows a negative relationship between inequality – measured as the ratio of the income share of the top 10 percent of households to the share of the bottom 10 percent – and the rate of under 5 child mortality among a group of higher income countries.²⁶ Greater inequality is associated with higher rates of child mortality among countries at similar levels of development.

With regard to the impact of inequality on housing, an increase in inequality can affect the availability of housing for lower income households. In the United States, for example, studies have shown that when there is a limited or relatively unresponsive supply of housing, there is a direct link between the increasing inequality and the price

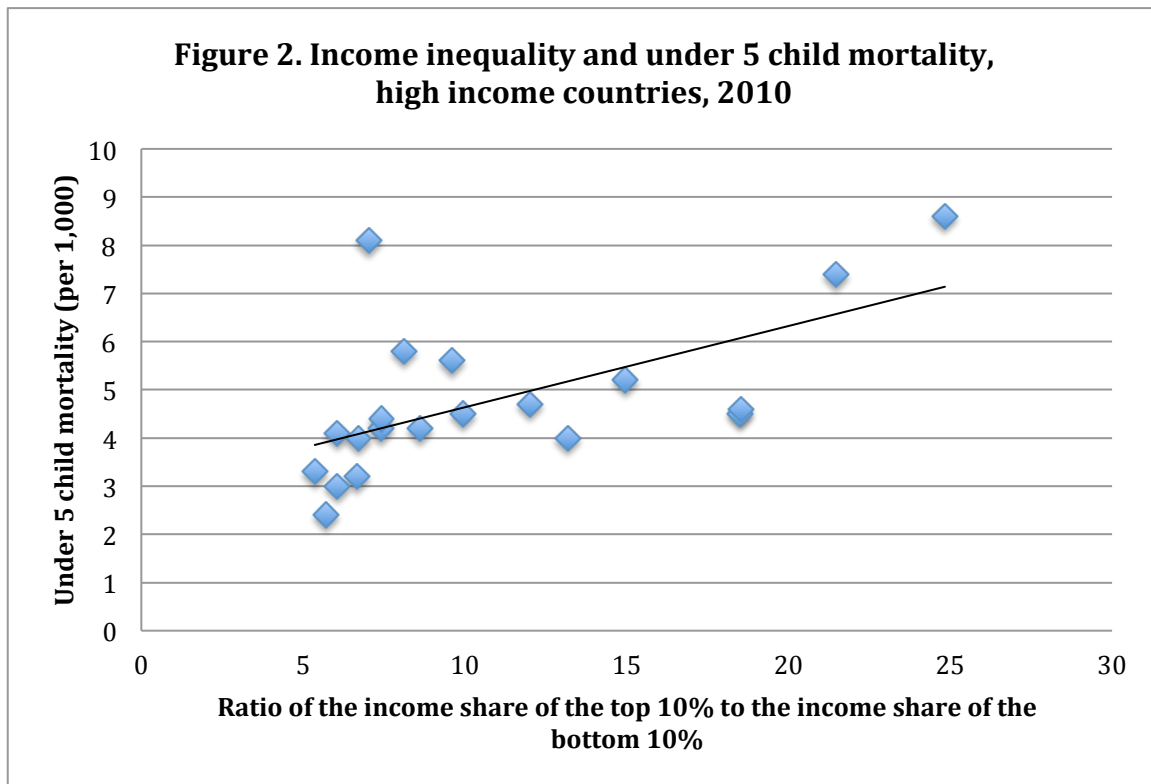
²³ Ricardo Fuentes-Nieva. 2014. *Working for the Few: Political Capture and Economic Inequality*. 178 Oxfam Briefing paper

²⁴ International Covenant on Economic Social and Cultural Rights 1966.UN

²⁵ Wilkinson, Richard and Kate Pickett. 2009. *The Spirit Level: Why More Equal Societies Almost Always Do Better*. New York: Bloomsbury Press.

²⁶ The countries are Canada, Chile, Czech Republic, Denmark, Estonia, Finland, Germany, Greece, Iceland, Ireland, Israel, Italy, Netherlands, Norway, Poland, Slovak Republic, Slovenia, Spain, United Kingdom, and United States.

of housing.²⁷ Evidence has shown that, in the US, when there is a limited inventory of housing and constraints on the expansion of the housing stock, increasing inequality, associated with higher incomes for the wealthy, raises the price of housing. This has an adverse impact on poorer households ability to secure housing and lowers the income they have at their disposal once housing costs are paid.²⁸



Source: World Development Indicators database, Washington, D.C., World Bank.
 Note: figures for Chile are from 2011, not 2010.

Inequality has macroeconomic implications in terms of its effect on growth and economic performance. Although the effect of inequality on growth does not directly undermine rights, slower rates of economic growth limit the resources available for the progressive realization of rights. However, the relationship between growth, inequality, and human rights is complex. Some statistical analysis has shown that

²⁷ Matlack, Janna and Jacob Vigor 2008. Do rising Tides Lift all Prices? Income Inequality and Housing Affordability. *Journal of Housing Economics* 17(3): 212-24.

²⁸ Ibid

greater inequality leads to slower growth.²⁹ There are several reasons for this relationship. As discussed earlier, inequality can reduce educational attainment thereby lowering growth. Greater inequality may also affect total levels of consumption by reducing the purchasing power of households in the lower end of the income distribution, reducing demand and growth.³⁰

However, other studies have shown that greater inequality can be associated with faster growth, if increased inequality supports profitability and investment. For example, the apartheid system in South Africa institutionalized inequalities between blacks and whites, creating conditions for higher rates of investment and growth, particularly in the 1950s and 1960s, by insuring the availability of a large pool of inexpensive labor that supported high rates of profitability.³¹ Similarly, studies have shown that a larger gap between women's and men's wages is associated with faster growth and increased exports in specific emerging market economies in Asia, Europe and Latin America.³² A larger gender wage gap means that women's paid labor is relatively cheaper than men's, again providing a pool of inexpensive productive labor. In these examples, violations of the human rights principle of non-discrimination actually support faster rates of growth.

Inequality affects economic stability and has been a contributing factor to economic crises, such as the 2008 global financial crisis.³³ Financial and economic crises are bad for the realization of rights – leading to high rates of unemployment, loss of

²⁹ Cingano, Federico. 2014. Trends in Income Inequality and its impact on Economic Growth. OECD Social Employment and Migration Working Papers. No.163. Paris: OECD.

³⁰ Stiglitz, Joseph. 2012. Macroeconomic fluctuations, inequality, and economic development. *Journal of Human Development and Capabilities*. 13(1): 31-58.

³¹ Heintz, James 2009. "Social Structures of Accumulation in South Africa" in D. Kotz, T. Macdonough, and M. Reich. *Social Structures of Accumulation* Cambridge University Press.

³² Seguino, S. 2000. "Gender Inequality and Economic Growth: A Cross-Country Analysis." *World Development* 28, no. 7: 1211-30.

³³ Rajan, Raghuram. 2011. *Fault Lines: How Hidden Fractures Still Threaten the World Economy*. Princeton: Princeton University Press. Stiglitz, Joseph. 2012. Macroeconomic fluctuations, inequality, and economic development. *Journal of Human Development and Capabilities*. 13(1): 31-58.

homeownership, cutbacks to government spending, and reductions in living standards. The poor are more vulnerable to the negative effects of crises and have fewer resources at their disposal to weather a severe downturn. This implies that economic volatility can further worsen inequalities – in both income and the enjoyment of rights.³⁴ Therefore, economic instability represents another channel through which inequality affects the enjoyment of rights.

Increased inequality can impact tax revenue – and this affects the resources available to governments to support the realization of rights. For example, the share of wealth in India held by the country’s billionaires has gone from 1.8% in 2003 to 26% by 2008. During this period, the tax structure changed, reducing the ratio of tax revenue to GDP.³⁵ In India, there has been an increase in corruption and tax loopholes, and a great amount of the wealth is hidden through shell companies and changes in the tax law that have affected the ability of government to mobilize domestic resources.³⁶ Similarly, in Pakistan, despite the sizeable net worth of parliamentarians, only a few pay taxes with many paying no taxes at all.³⁷ The increased concentration of wealth has had an impact on the tax code and structure, directly impacting the ability of the government to raise the maximum of available resources to fulfill rights.³⁸

POLITICAL ECONOMY, INEQUALITY, AND HUMAN RIGHTS

In the human rights framework, the state is the primary duty bearer and has the obligation to respect, protect, and fulfill rights. The realization of rights therefore

³⁴ Stiglitz, Joseph. 2012. Macroeconomic fluctuations, inequality, and economic development. *Journal of Human Development and Capabilities*. 13(1): 31-58.

³⁵ Fuentes-Nieva, Ricardo. 2014. *Working for the Few: Political Capture and Economic Inequality*. 178 Oxfam Briefing paper

³⁶ Ibid.

³⁷ Ibid.

³⁸ Article 2.1 of the International Convention on Economic, Social and Cultural Rights (ICESCR) states that governments should “take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized.”

depends on a functioning state that can be held to account. Democratic participation and transparency are also central to the realization of rights. People must have access to information and should be able to claim their rights by participating in political processes that ensure that the government meets its obligations and is responsive to the population's needs. Inequality in income and wealth impacts formal and informal political processes in ways that determine people's access to education, healthcare, jobs, and social security.

However, some political scientists argue that a democratic process is able to offset the impact of inequalities in income and wealth. The "median voter theorem" suggests there will be pressures for redistribution in unequal societies.³⁹ How does this theory work? Imagine that you are living in a democratic system in which the majority of the population gets to decide which economic policy the government follows. In this example, the median voter is the person who is exactly in the middle of the income (or wealth) distribution – half the population has the same or less income (or wealth) as the median voter. Increasing inequality concentrates income and wealth in the hands of those people at the upper end of the distribution. The gap in income (or wealth) between the top end of the distribution and the bottom half of the distribution widens. As this gap grows, support for redistributive policies among those in the bottom half gains strength. Since the majority of the population decides on economic policy, the government will implement policies that redistribute income and wealth.

Under this form of the median voter theorem, inequality in income and wealth is not necessarily a problem, since a democratic political process automatically adjusts for these imbalances. For economic and social rights, this would imply that growing inequality would be met by increasing political pressures on the state to insure that the rights of the majority are secure. This approach makes very strong demands on the

³⁹ Alesina, Alberto and Dani Rodrik. 1994. Distributive politics and economic growth, *Quarterly Journal of Economics*, 109(2): 465-90.

robustness of the political system. It assumes that people are able to claim their rights, that the state is democratically accountable, that the policies supported by the majority do not undermine the rights of other groups (racial, ethnic, cultural, etc.), that global integration places no limits on the policy choices of national governments, and that elite economic interests are not able to unduly influence economic policy. However, Inequality in income and wealth engenders inequality in the distribution of power in society and this undermines the pure form of the median voter theorem.⁴⁰ When the political power of the elites expands as the income and wealth distribution becomes more polarized, this compromises the realization of human rights – economic and social rights as well as civil and political rights. There is significant evidence that supports the idea that greater inequality reinforces political processes that compromise the realization of economic and social rights. As Philip Alston stated in his 2015 report : “Economic inequalities seem to encourage political capture and the unequal realization of civil and political rights.”⁴¹

Economic elites are less likely to support policies that aim at securing the broad-based provision of health care, education, housing, and jobs when those policies are costly to those at the upper end of the distribution relative to the benefits they receive.⁴² Studies that look at variations across a range of countries have shown that, contrary to the median voter theorem, greater inequality is associated with less redistributive government spending, as measured by expenditures on social security and welfare as a share of GDP.⁴³ Similarly, there is evidence that social expenditures fall when the gap between the middle class (the median of the income distribution) and the top 10

⁴⁰ Stiglitz, Joseph. 2012. Macroeconomic fluctuations, inequality, and economic development. *Journal of Human Development and Capabilities*. 13(1): 31-58.

⁴¹ UN Human Rights Council, Twenty-ninth Session, Promotion and protection of all human rights, civil, political, economic, social and cultural rights, including the right to development A/HRC/29/31 (May 27, 2015).

⁴² Sokoloff, Kenneth L. and Eric M. Zolt. 2006. Inequality and the evolution of institutions of taxation. Evidence from the economic history of the Americas on how Inequality may Influence Tax Institutions.” *Tax Law Review* 59(2):167-242.

⁴³ de Mello, Luiz and Erwin R. Tiongson. 2003. Income inequality and redistributive government spending. IMF Working Paper WP/03/14. International Monetary Fund, Washington D.C.

percent widens.⁴⁴ Economic elites are likely to resist progressive forms of taxation, which limits the ability of the government to mobilize resources for the fulfillment of rights.⁴⁵

Exploring these issues in greater depth, one research study on the political dynamics of the United States analyzed data on 1,779 policy cases between 1981 and 2002 for which survey data was available on whether the general public favored or opposed a proposed policy change. The study examined the impact of three variables on actual policy changes: (1) the average citizen's policy preferences, i.e. preferences at the median income; (2) the policy preferences of economic elites, measured as preferences at the 90th income percentile; and (3) the policy positions of interest groups. The researchers further distinguished between business and professional interest groups and those interest groups representing mass-based organizing. They found that economic elites and organized interest groups have significant influence on government policy, yet average citizens (i.e. the median voter) and mass-based interest groups have little or no independent impact.⁴⁶

Inequality in income and wealth also affects the stability of the economic, social, and political environment with consequences for the fulfillment of rights. For example, inequality has been shown to be correlated with indicators of political violence, including state violence against citizens.⁴⁷ As inequality becomes more severe, the gap between the haves and the have-nots widens, and conflicts over the distribution of income, wealth, and economic opportunities intensify. These conflicts may trigger

⁴⁴ Schwabish, Jonathan, Timothy Smeeding, and Lars Osberg. 2004. *Income distribution and social expenditures: a cross-national perspective*. New York: Russell Sage Foundation.

⁴⁵ Sokoloff, Kenneth L. and Eric M. Zolt. 2006. Inequality and the evolution of institutions of taxation. Evidence from the economic history of the Americas on how Inequality may Influence Tax Institutions." *Tax Law Review* 59(2):167-242.

⁴⁶ Gilens, Martin and Benjamin I. Page. 2014. Testing theories of American politics: elites, interest groups, and average citizens. *Perspectives on Politics*. 12(3): 564-81.

⁴⁷ Landman, Todd and Marco Larizza. 2009. Inequality and human rights: who controls what, when, and how. *International Studies Quarterly* 53: 715-736. Alesina, Alberto and Roberto Perotti. 1996. Income distribution, political instability, and investment. *European Economic Review* 40(6): 1203-28.

widespread social and political instability. When democratic accountability is limited, it is more likely that distributive conflicts will be contained through state repression that undermines basic rights.

Laura Ramirez Takeushi has shown that conflict arises when the level of inequality threatens social trust. Furthermore, chances of violence increase when income inequality between households (vertical inequality) and intergroup inequality (horizontal inequality) is very high.⁴⁸ The Universal Declaration of Human Rights states that “everyone has the right to life liberty and security of person”.⁴⁹ Violent conflict undermines these basic human rights.⁵⁰

INEQUALITY BETWEEN COUNTRIES AND THE RIGHT TO DEVELOPMENT

Up to this point, much of the discussion in this paper has focused on inequality within a particular country or economy. However, inequality at the global level is also a human rights issue. Taking a global view, changes in inequality are due to two factors: a widening or narrowing of the gaps that exist between the households within countries and positive or negative shifts in the extent of inequality between countries. It is this second dimension that we focus on here.

The Declaration on the Right to Development, adopted in 1986, is the human rights document that comes closest to directly addressing inequalities between countries. This is partly because the way “development” is conceived in the Declaration is as a collective process rather than a specific individual right. Therefore, the Declaration emphasizes both rights at the national level and rights at the individual level. The preamble to the Declaration states:

⁴⁹ UDHR 1948

⁵⁰ Takeuschi ,Laura Rodriguez .2014. When is Redistribution Popular? Social Conflict and the Politics of Inequality. *ODI Working Paper*.

“... development is a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well-being of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of benefits resulting therefrom ...”⁵¹

Distribution is clearly a central concern of the Declaration, both at the country and individual level. The distribution of benefits reflects an outcome of the process of development, including government policies that support the realization of rights. However, the Right to Development also emphasizes equality of opportunity at the collective level:

“... the right to development is an inalienable human right and that equality of opportunity for development is a prerogative both of nations and of individuals who make up nations ...”⁵²

The issues surrounding global inequalities impinge on various dimensions of the Right to Development. Though there has always been inequality between countries, policy changes, particularly in the governance of international trade and finance, have taken on a new dimension in which global inequalities become legally sanctioned at the international level and represent a particular structure of the global economy. The current structures of global economic governance are shaped by the vested interests of elites throughout the world and in the national interests of the richest countries. In international financial institutions, such as the World Bank and the IMF, countries receive votes based on their shares in these institutions. These institutions have significant influence on the policies that developing countries adopt, and these policies

⁵¹ Declaration on the Right to Development 1986.

⁵² Ibid

may hinder the realization of human rights.⁵³ The economic dynamism of countries such as India and China has affected the global balance of power but decisions that are made at the global level remain the purview of a handful of influential countries – such as those represented in the G20.

Bilateral and multilateral trade negotiations provide an example of these dynamics, often limiting the policy choices available to governments for the realization of human rights. For example, agreements on trade in services, such as those reflected in the General Agreement on Trade in Services (GATS) and provisions regarding intellectual property rights, as reflected in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) could affect governments' ability to pursue policies that support the right to education and the right to health.⁵⁴ The decisions to open up trade in education works in favor of those countries that have the capacity to export educational services and diminishes the ability of other countries to legislate their educational systems.⁵⁵ With regard to health, intellectual property rights provisions protect the interests of pharmaceutical companies, mostly located in high-income countries, and often undermine efforts to provide low-cost medicine to people who need them. The processes whereby these trade agreements are negotiated are characterized by unequal power relations are at the global level, linked to inequalities between countries.⁵⁶

Global inequalities also affect a country's ability to implement independent macroeconomic policies that affect the realization of rights through their impact on maximum available resources – such as the revenue available to finance government spending, the latitude to pursue goals such as improving employment outcomes, or

⁵³ Solomon, Margot. 2007. International economic governance and human rights accountability. London School of Economics, Society and Economy Working Papers 9/2007.

⁵⁴ Verger, Antoni and Barbara van Paassen. 2012. Human development vis-à-vis free trade: understanding developing countries' positions in trade negotiations on education and intellectual property rights. *Review of International Political Economy* 20(4): 712-39.

⁵⁵ Ibid.

⁵⁶ Ibid.

managing important prices such as the exchange rate. Larger, more globally influential economies have a wider range of policy options available when responding to economic shocks compared to smaller, more dependent economies.⁵⁷ For example, China and the United States were able to respond to the 2008 crisis by implementing counter-cyclical stimulus policies in an effort to offset the negative consequences of the financial shock.⁵⁸ Economies in weaker, less influential positions experienced different effects of the crisis, including capital outflows as financial investors sought out safe havens.⁵⁹ These developing economies often adopt policy positions such as raising interest rates and cutting government spending in an effort to stem financial outflows.⁶⁰ However, high interest rates and lower spending have a negative effect on economic performance, exacerbating the effects of a negative shock. These types of reactions are called “pro-cyclical” policies. The austerity programmes implemented in countries such as Greece after the 2008 global financial crisis represented a type of pro-cyclical policy—drastically cutting spending after a country has already received a substantial negative shock.

The International Covenant on Economic, Social, and Cultural Rights (ICESCR) recognizes that a country has obligations with regard to the realization of economic and social rights beyond its borders – often referred to as extraterritorial obligations.⁶¹

⁵⁷ Ocampo, J.A. and R. Vos. 2008. Policy space and the changing paradigm in conducting macroeconomic policies in developing countries. BIS Paper No. 36. Bank for International Settlements, Basel, Switzerland.

⁵⁸ International Labor Organization (ILO). 2011. A review of global stimulus. *EC-IILS Joint Discussion Paper Series* No. 5. Geneva.

⁵⁹ Ocampo, J.A. 2010. Rethinking global economic and social governance. *Journal of Globalization and Development* 1(1): 1–29.

⁶⁰ Ocampo, J.A. and R. Vos. 2008. Policy space and the changing paradigm in conducting macroeconomic policies in developing countries. BIS Paper No. 36. Bank for International Settlements, Basel, Switzerland.

⁶¹ See, for example, Carmona, Magdalena Sepulveda, Obligations of “international assistance and cooperation” in an optional protocol to the International Covenant on Economic, Social, and Cultural Rights’, *Netherlands Quarterly of Human Rights*, 24 (2006), 271-303; F. Coomans, The extraterritorial scope of the International Covenant on Economic, Social, and Cultural Rights in the work of the United Nations Committee on Economic, Social, and Cultural Rights. *Human Rights Law Review*, 11 (2011), 1-35; F. Coomans and M. T. Kamminga (eds.), *Extraterritorial Application of Human Rights Treaties* (Antwerp-Oxford: Intersentia, 2004).

Specifically, Article 2(1) of ICESCR states that states should ‘take steps, individually and through international assistance and cooperation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means’.⁶² Article 2(1) suggests that better-resourced countries have an obligation to assist poorer countries. In other words, countries in more privileged positions should support the realization of economic and social rights elsewhere in the face of global inequalities. The Committee on Economic, Social and Cultural Rights further emphasizes this commitment in its General Comment 3 (3:13) with regard to the principle of maximum available resources:

“The Committee notes that the phrase ‘to the maximum of its available resources’ was intended by the drafters of the Covenant to refer to both the resources existing within a State and those available from the international community through international cooperation and assistance.”

While the ICESCR and the concept of extraterritorial obligations emphasize the need for coordination and cooperation, the Declaration on the Right to Development also places emphasis on national sovereignty:

“The human right to development also implies the full realization of the right of peoples to self-determination, which includes, subject to the relevant provisions of both International Covenants on Human Rights, the exercise of their inalienable right to full sovereignty over all their natural wealth and resources.”

⁶² International Covenant on Economic, Social, and Cultural Rights (adopted 19 December 1966, entered into force 3 January 1976), 993 UNTS 3 (ICESCR) art 2(1).

There is a potential tension between guaranteeing national sovereignty and pursuing the kind of international cooperation needed for the realization of rights in today's globalized economy.⁶³ For instance, uncoordinated, independent actions by individual states are consistent with preserving national sovereignty, but may undermine global cooperation. Similarly, true cooperation may require states to give up some degree of sovereignty to act in ways that promote the common good. Some balance between preserving sovereignty and promoting international coordination is needed. One approach would be to equalize the degree of sovereignty across nations in a way that is consistent with global cooperation. As the Declaration on the Right to Development states, there is a need "to promote a new international economic order based on sovereign equality, interdependence, mutual interest and cooperation among all States, as well as to encourage the observance and realization of human rights." In order to achieve this outcome, existing global inequalities would need to be addressed as would the structures of the global economy that maintain these inequalities over time.

CONCLUSION

This paper has explored the relationship between human rights and inequalities in income and wealth, contrasting human rights with other theoretical approaches used to evaluate social outcomes, specifically neoclassical economics. Human rights provide partial guidance on the implications of widening inequalities within and between the countries of the world. For instance, the principle of non-discrimination is concerned with horizontal inequalities in conduct and outcomes – that is, inequalities between different social groups – with respect to the enjoyment of rights. Similarly, the Declaration on the Right to Development recognizes the importance of the inequalities that exist between countries that can impede the realization of rights. However, the

⁶³ Rodrik, Dani. 2012. *The Globalization Paradox: Democracy and the Future of the World Economy*. New York: W.W. Norton and Company.

human rights framework stops short of declaring a particular distribution of income or wealth as fair or just.

This is partly because human rights are about realized outcomes that shape the choices and freedoms people enjoy in the course of their lives.⁶⁴ In this context, income and wealth are means to an end, not the ends themselves. Therefore, a just distribution of income is one that allows for the fullest realization of rights possible that is consistent with the principles of non-discrimination and equality. Article 28 of the Universal Declaration of Human Rights states that “everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized.”⁶⁵ The distribution of income and wealth, and the concomitant political dynamics associated with a particular level of inequality in society, represents an important dimension of this social and international order.⁶⁶ Therefore, there is an implicit obligation within the human rights framework for states to consider the impact of inequality on the realization of rights and, where inequality impedes the realization of rights, to take steps to move towards a more just distribution of income.

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⁶⁴ Sen, Amartya. 2004 Elements of a theory of human rights. *Philosophy and Public Affairs* 32(4): 315-36.

⁶⁵ Universal Declaration of Human Rights, 1948.

⁶⁶ Mac Naughton, Gillian. 2013. “Beyond a Minimum Threshold: the Right to Social Equality” in L. Minkler ed. *The State of Economic and Social Human Rights: A Global Overview*. Cambridge: Cambridge University Press.

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