

Reducing inequalities within countries: converting the global debate into action

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DOMESTIC INEQUALITIES AS A KEY SUSTAINABLE DEVELOPMENT CHALLENGE

A growing body of literature highlights the negative impacts of rising domestic inequalities on a wide number of political, social, economic and environmental issues—thus rendering domestic inequalities a key sustainable development challenge. However, over the past decade, despite growing concern, debates have not been converted into action, and domestic inequalities keep rising. The inclusion of inequalities within the Sustainable Development Goals framework shows that the international community is now willing to tackle the problem.

POLICY-DRIVEN (REDUCTION OF) INEQUALITIES

The rise in inequalities is policy-driven: all the major drivers identified in the literature point to a certain extent to a policy failure. This is the case for the erosion of labour institutions, the decline in fiscal progressivity, skill-biased technical change, trade and financial liberalization, and the increasing political power of the wealthy. If policies, rather than exogenous forces drive rising inequality, then implementing more inclusive policies can reverse the trend.

SDGs CAN CONTRIBUTE TO THE REDUCTION OF INEQUALITIES

The SDGs provide three levers to turn the global inequality debate into national action: peer focus (a common metric), peer pressure (a ranking of countries) and peer review (mutual learning of policies). Matching the drivers of inequalities with these levers for action, our main finding is that even though the current contribution is quite limited, the potential of SDGs for domestic inequalities reduction deserves attention. While the common metric exists, only significant involvement from civil society and commitment from governments will make it possible for peer pressure and learning to become effective.

TACKLING INEQUALITIES WITHIN LONG-TERM DEVELOPMENT STRATEGIES

The global inequality debate within the SDG framework will not by itself trigger national action. The relationship between SDGs and international trade, investment and fiscal agreements in particular needs to be clarified and made consistent with long-term sustainable development strategies.

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1. INTRODUCTION

Among the key failures of modern democracies over the past decades that can explain widespread economic and social discontent is the rise in economic inequality. The Brexit vote and the United States presidential election can be seen as manifestations of this failure. While social justice is proclaimed as corner stone of modern democracies, nations have failed to reach this objective.

As a matter of fact, income and wealth inequality are rising in most countries around the world today. Recognizing that this challenge has become a universal issue, the United Nations agreed in 2015 to seventeen Sustainable Development Goals (SDGs), as part of a global agenda to transform society. Specifically, SDG *Target 10* commits countries to “reduce inequalities within and among countries”. The SDG framework calls on states to articulate nationally specific implementation strategies and to put in place monitoring and review processes in order to meet the goals.

So far, country responses have been sporadic and inconsistent, and there has been little articulation about what *Target 10* means in terms of national-level implementation. The need for an international governance framework is self-evident in order to reduce inequality between countries. However, it is less clear why within-country inequality requires such a framework beyond the issue of tax evasion. To what extent SDGs and in particular SDG *Target 10* can help nations reverse inequality towards a downward trend is the question we address in this paper.

To answer this question, we proceed in three steps. We first make the review of the reasons why within-country inequality has become a global sustainable development issue, and hence deserves a stand-alone SDG target (section 2). We then map out the drivers of inequality (section 3) and infer the theory of change underpinning a goal-based

governance system so as to match the drivers of inequality with the drivers of change that this theory offers (section 4). We end up with a performance matrix of the SDGs, enabling us to make the distinction between the effective contribution, the potential contribution, and the limitations of the SDGs framework to trigger action.

Our results are the followings:

1. Domestic income (and wealth) inequality passes two SDG criteria. It is a universal issue: inequality has been rising in almost every region of the world since the 1970s and it has continued to rise in the recent years. It is also a systemic issue, since a growing body of research supports that domestic inequality has negative impacts on society and health, political stability, the economy and arguably on the environment. Reducing inequality thus stands out as a necessary condition for sustainable development.

2. The rise in inequality is policy-driven. Several analysts distinguish between technology, openness and policy drivers explaining the rise in inequality. We posit that it may be more accurate to distinguish between six key drivers, which are all (at least partly) policy driven: the erosion of labour institutions, the decline in fiscal progressivity, skill-biased technical change, trade liberalization, financial liberalization and the increasing political power of the wealthy.

3. The SDGs framework offers three levers for action which all deserve attention: a common metric (“peer focus” as we dub it); peer pressure; and a policy platform for learning (“peer learning”). Matching the six drivers with these three levers for action, our main finding is that even though the effective contribution is quite narrow, the potential of the SDGs for domestic inequality reduction deserves attention. Civil society, academia and policy research institutions have a particular role to play here. Finally, connecting the trade negotiations agenda, now in deadlock, with the SDG agenda

which is now opening is at the same time an opportunity and necessity to revert global inequality trends.

2. WHY INEQUALITY REDUCTION IS NOW PART OF THE GLOBAL POLICY AGENDA?

Reducing the differences in average national income per capita across countries and fastening convergence in living standards remain the central tenet of development thinking and the central objective of development agendas. The SDGs make no exception, setting the target (8.1) to “sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7% gross domestic product growth per annum in the least developed countries”.

A more contentious issue lies in the need for any single country and for collective action among countries to tackle domestic income inequalities. International development institutions have so far considered the reduction of inequalities a sovereign issue for each country, or inequalities as a necessary evil towards global improvement of wellbeing. Domestic income inequalities have been politically confined in the shadow of absolute poverty until the SDGs replaced the MDGs (Kabeer, 2010; Langford, 2010; de Albuquerque, 2012). Until then, the few appearances of domestic inequalities in the global development agenda had narrowed them to inequalities of opportunities and access—without any significant mention of income or wealth (World Bank, 2006).

There exists however a continuity with the MDGs if we remember with Anderson (2016) that the share of the poorest 20% in national income was one of the three indicators specified for MDG Target 1.A—halving the proportion of people living on less than \$1 a day.

The SDGs Target 10.1, however much more explicitly addresses domestic inequality reduction. It states: “By 2030, progressively achieve and sustain a reduction in income inequality, as measured by the share of the bottom 40% of the population in national income, alongside economic growth.”

The domestic inequality reduction target was the subject of harsh debates within the Open Working Group in charge of establishing a list of goals and targets for intergovernmental negotiations. There were contentious calls for a target for reducing income inequality within countries, measured by the Gini coefficient or the Palma index (Engberg-Pedersen 2013). The report of the High-Level Panel, for example, argued against a target for addressing domestic income inequality on the grounds

that “countries differ widely both in their view of what levels of income inequality are acceptable and in the strategies they adopt to reduce it.” (HLP, 2016) Several countries such as the USA or Canada contended that a standalone goal on inequality could “lead to a sterile debate” and that domestic inequality reduction would better be achieved through other goals such as economic growth or a fair access to productive assets. Other countries like China and Indonesia argued that within-country inequalities objectives tended to place a higher burden on developing countries than on OECD economies, and that “promoting equality should not be a standalone goal area.” (Chancel and Vourriez, 2015).

After the target was removed from the draft list in the course of 2014, a group of countries led by Denmark, Norway, and Brazil supported its re-inclusion. Denmark, along with Norway, argued that the rise in inequalities found its roots in “exclusive growth” and that a specific metric should be used to ensure that growth resorbs inequalities rather than triggers them. As for Brazil, while stressing the need to reduce between-country inequalities, it also supported the inclusion of domestic inequality reduction targets. This second group of countries was successful in including the domestic target in the final list, after campaigns from NGOs and lobbying from influential academia such as J. Stiglitz (Doyle and Stiglitz, 2014).

Like for most if not all SDGs, SDG Target 10.1 as it is formulated is a compromise. As Edward Anderson (2016) rightly observes:

“Target 10.1 does not specify an “acceptable” level of inequality to be aimed for. It does not, for instance, require that the share of the bottom 40% of the population be at least X% of national income, or at least as large as the share of the richest 10% of the population. Instead, Target 10.1 requires only that the share of the bottom 40% rises over time. For this reason, Target 10.1 might best be regarded as a minimum requirement that all countries are expected to meet, with each government being expected to set its own more specific targets—in particular, the actual reduction in inequality to be achieved by 2030. The implicit assumption would then be that current levels of income inequality are excessive in all countries of the world, although targets for the reduction of inequality may vary from one country to another, depending on how far each country is from an acceptable level of inequality.”

It should be noted however that, in theory, an indefinite rise in the income share of the bottom 40% income group implies an equalization of mean incomes of the bottom 40% and the top 60% income groups. However, such an equalization occurs only if the rule is prolonged indefinitely.

The key element of the compromise on which Target 10.1 is built is thus the speed of the catch-up of the bottom segments of the population.

With this important features of Target 10.1. in mind, we provide below a review of evidence which all made inequality reduction inevitable in the ultimate choice of goals and targets in the UN SDGs process.

2.1. Inequality has become a universal issue¹

After decades of divergence across countries per capita income, there is evidence of convergence at the global level since the 1990s, and in particular since the 2000s (Bourguignon, 2015; Milanovic, 2010; Stiglitz, 2012). Global convergence between rich and poor countries has been driven by Asian countries, first China and India, and now the whole Asian region, where incomes have risen rapidly relative to advanced economies. However, much remains to be done: incomes in Asia remain a quarter of those in the developed world, and convergence has been largely absent or fragile outside of Asia. Latin American and the Caribbean have shown more recent signs of income growth over the last decade, while Africa and Oceania have contributed little to global convergence. On

average, in 1990, Africans earned 12% of the developed country income when adjusted for PPP; this figure remained the same in 2014 (Julca *et al.*, 2015).

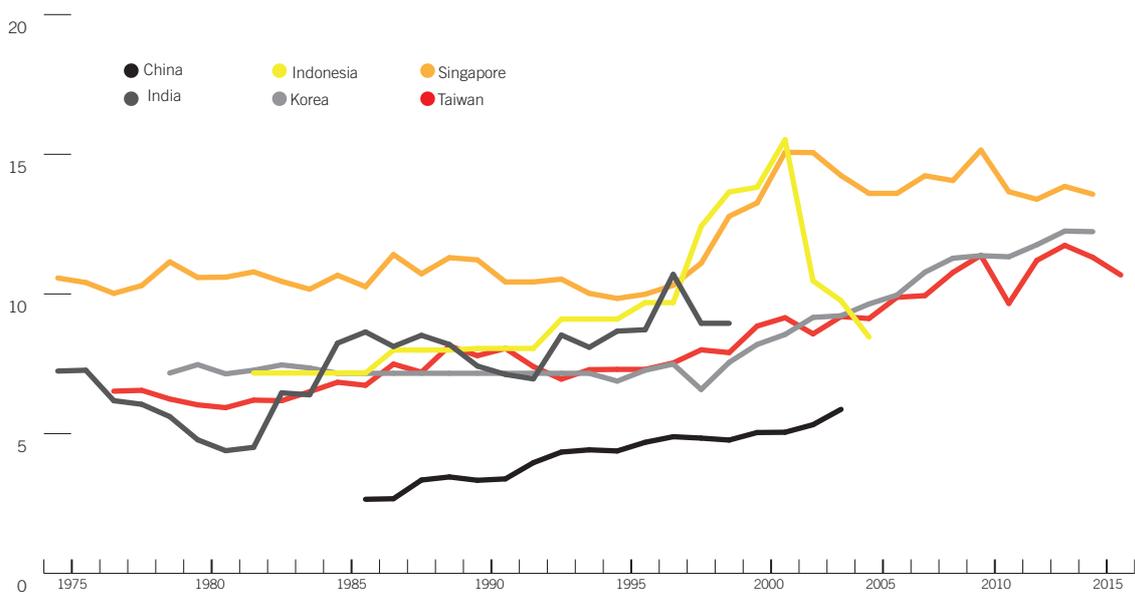
Economic growth in Asian economies has been universally pro-rich, at once driving global convergence and rising domestic inequality. Figure 1 shows the top 1% income share in the high-performing Asian economies. As the graph shows, top income shares are rising in all countries. This is at odds with the predictions of the Stolper-Samuelson theory that predicts that increasing international trade will lead low-skilled workers' wages to increase relative to other groups in labour-abundant countries, thus decreasing within-country inequality. Multiple studies confirm that increasing international trade has coincided with rising inequality (see for overview in Harrison, McLaren and McMillan, 2011).

In Latin America, where household survey data is extensive—contrary to tax data, there is evidence of decreasing inequality at the regional level over the last two decades (Figure 2). However, the rate of inequality reduction in Latin American countries as been progressively declining over the last decade.² As the number of extreme poor decreases, the high rate of inequality reduction achieved through poverty reduction cannot be easily sustained. Despite recent reductions, Latin America remains the most unequal region in the world, with top 10% earners enjoying material

1. This section reviews latest trends in domestic income and wealth inequality. It does not provide novel elements to this debate; specialists in the field can move directly to section 2.2.

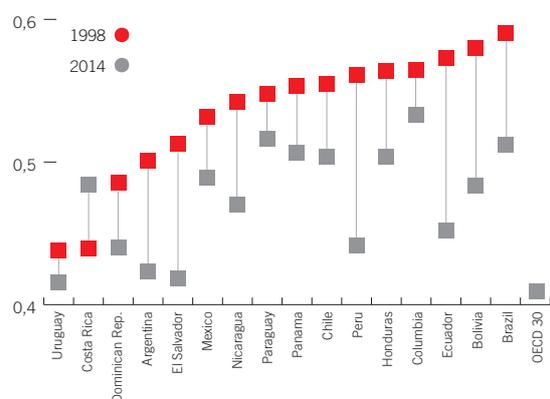
2. See SEDLAC (2016).

Figure 1. Emerging countries, top 1% income share



Source: WID, Chinese data is from HH-survey as no tax data available. But recent work to be published by WID.world suggests much higher levels of top income shares.

Figure 2. Change in GINI in Latin American countries



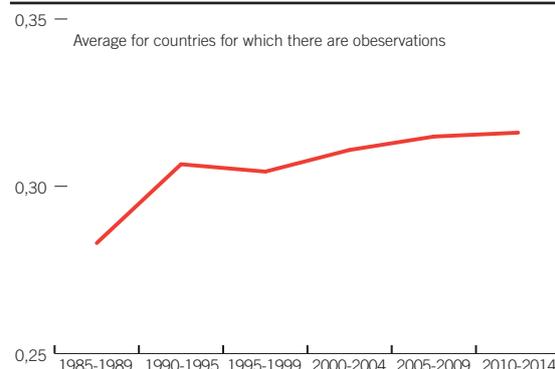
Source: SEDLAC.

conditions comparable to rich Europeans, while the bottom 40% exist in levels of poverty comparable with poor people in developing countries (Palma, 2011). In addition, top income shares for Latin American countries with available historical (Argentina, Colombia) data show an upward trend since the beginning of the 21st century.

In Africa, data coverage is less extensive, but a similar trend of high but declining income inequality is apparent when looking at survey data. Of the 10 African countries for which data is available, 5 experienced declining income inequality as measured by the Gini index between 1980 and 1999, and 7 between 2000 and 2010 (Solt, 2009; UNDP, 2013). In South Africa, however, top income shares have been substantially rising since the mid-1990s.

Income inequality in advanced economies has risen unambiguously since the mid-1980s. This runs contrary to Simon Kuznets' inverted-U hypothesis that predicts that inequality will increase in the early stages of economic development and then stabilize and decrease beyond a given threshold of income per capita (Kuznets, 1955). Rising income and wealth inequality in most of the world's most advanced economies, in particular in Anglo-Saxon countries, clearly indicate that the downward side of the curve is not an empirical reality, and that rising inequality can occur in countries across the spectrum of per-capita income levels and in fact has tended to occur in countries with higher per-capita incomes (Gallup, 2012). In almost all advanced economies, the Gini of income inequality has risen over the last thirty years. Figure 3 shows the Gini index of disposable income for all OECD countries. All countries except Greece and Turkey have seen rising inequality over the last 30 years. It is therefore possible to reject Kuznets' hypothesis (Palma, 2011; Gallup, 2012; Piketty, 2014).

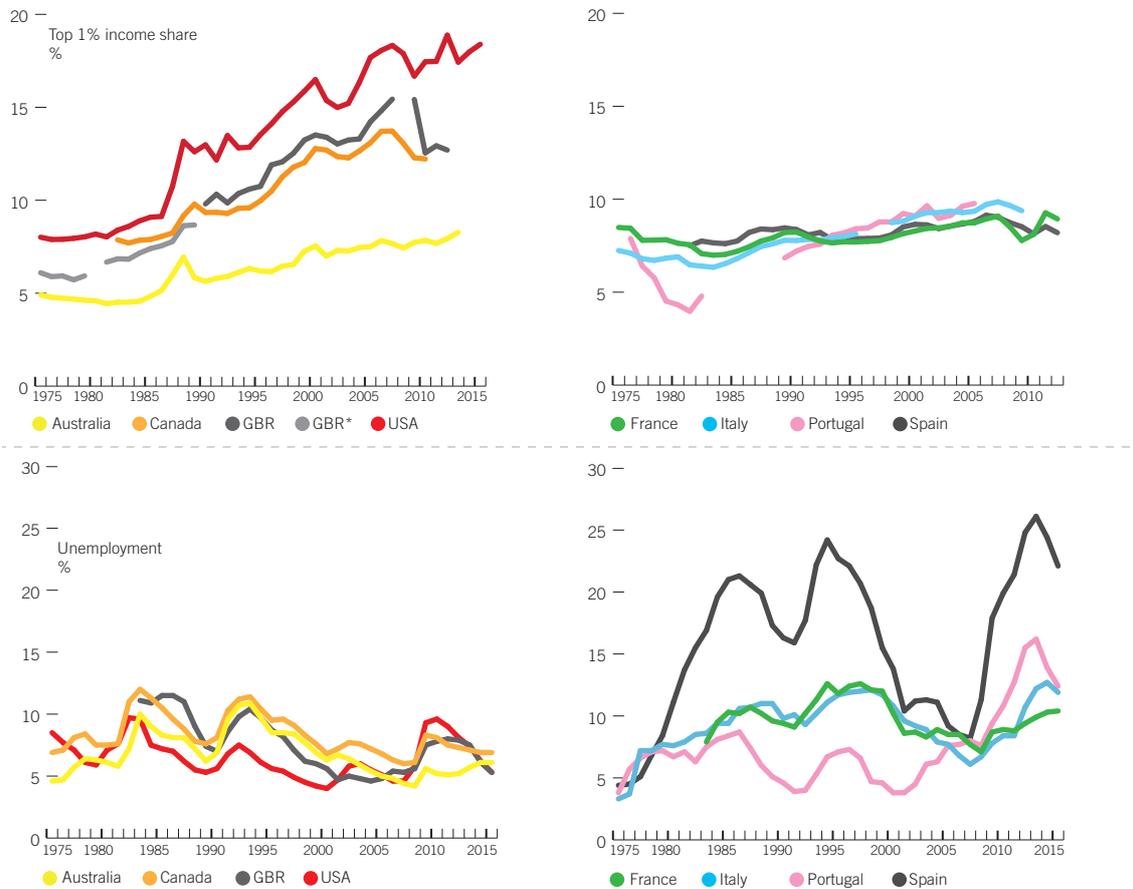
Figure 3. Unweighted average Gini of disposable income for 12 OECD countries for 5-year intervals, 1985-2014



Source: authors calculations using OECD data

The Gini picture clearly demonstrates the direction of change in income distribution. However, it provides only an indication of the magnitude of that change, due in part to the data underlying the graphs and to a lesser extent the choice of indicator. In Anglo-Saxon countries, rising inequality is explained to a large extent by rising top income shares (Atkinson and Leigh, 2010). The extent of the rise in top incomes is systematically underestimated in household survey data that underlies standard, international comparative analysis of Gini coefficients (for example, Milanovic, 2014). This is due in large part to under-reporting and under-sampling of top incomes (Atkinson, Piketty, 2010). The Gini picture changes dramatically when more accurate computations of top incomes are included. In the USA for example, it is estimated that the rate of increase in the Gini over the last three decades doubles when top incomes are properly considered (Atkinson, Piketty, Saez, 2011). When taking into account top incomes, the Gini picture can tell a wholly different story. Between 1991 and 2007 in the UK, the Gini index as measured by household surveys rose by only 5%, while the top 1% income share rose by 50% (Jenkins *et al.*, 2016). Rising top income shares in Anglo-Saxon countries have not been accompanied by growth of the economy as a whole. On the contrary, median incomes have stagnated or declined. In the UK, weekly median income has not increased in real terms since 2003 (ASHE, 2016). In the USA, median income amongst male workers is lower today than it was in 1998, while amongst female workers median income has remained stagnant since 2000 (USA CB, 2016).

Moreover, behind the relatively homogeneous Gini picture is a stark disparity between Anglo-Saxon countries and continental European countries, as shown in Figure 4. Comparative changes in continental Europe are much less acute, though

Figure 4. Comparing top income shares and unemployment rates in Anglo-Saxon and continental European countries


Source: WID.world, and International Labour Organization. GBR* refers to income share of married-couples and single adults (up to 1989). GBR refers to adult income, thereafter.

reflect a general upward trend (see Piketty, 2014). However, while continental European countries have experienced a relatively moderate rise in top income shares, unemployment rates have tended to be higher than in Anglo-Saxon countries, leading to rising income inequality at the bottom end of the income distribution. This suggests a “trade off” between inequality and unemployment (Krugman, 1994; Blank, 1997; Bicakova, 2014). Figure 4 however loosely supports the “trade off” theory. It shows that unemployment has tended to be higher in continental European countries (over 10%), with the exception of Portugal until recently, and has been much more volatile. In Anglo-Saxon countries, it has been less volatile and has rarely risen above 10%.

At the global scale, wealth ownership is even more concentrated than income. Davies *et al.* (2016) estimate that, in 2014, the richest 10% of people globally owned 87.4% of global wealth, and the top 1% owned 48.2%. 30% of global wealth is in the US, Europe, and rich Asian-Pacific

countries, and almost all the top 1% wealth owners live in those regions (Davies *et al.*, 2008). Wealth concentration in rich countries serves to entrench global inequality, as wealth creates investment that is a vital conduit for growth. Therefore, as wealth concentrates in rich countries, it leaves the parts of the world where investment is most in-demand. Having declined slightly in the first part of the twentieth century, top 1% and 10% US and European wealth shares are on the rise since the end of the 1970s (Piketty & Saez, 2014).

2.2. The cost of inaction progressively unveiled

Essential to the design of the SDGs is that they are “integrated and indivisible”, designed to precipitate integrated policy response across sectors. In a study of the linkages between the 17 goals, David LeBlanc (2015) ranked inequality second in terms of connectivity, linking directly to targets in 12 of the goals. Furthermore, a substantial literature

demonstrates positive links between inequality and the key pillars of the SDG goals: inequality reduction is associated with improved health and the reduction of a range of social problems, economic growth; political stability and greater care for the environment, even though the robustness of the link might differ across these different dimensions, as discussed below.

2.2.1. Inequality as a health problem

Cross-sectional studies show a robust and statistically significant positive correlation between inequality and incidences of health and social problems in advanced countries (see for example Wilkinson and Pickett, 2009). Wilkinson and Pickett's prominent work, *The Spirit Level*, aggregates bi-variate analyses for a range of dependent variables pertaining to health and social problems. As summarised in the postscript to the second edition, they find that "when people in the same social class, at the same level of income or education, are compared across countries, those in more equal societies do better" (Wilkinson and Pickett, 2010, 275–6). More recent work has attempted to establish causality. In a review of the literature, Wilkinson and Pickett find that the major epidemiological causal criteria are "well supported" and that, therefore, "narrowing the gap will improve the health and wellbeing of populations" (Wilkinson and Pickett, 2014, 316). On health, causality between inequality and health problems is relatively well supported, though it is understood to operate indirectly, through 'status anxiety', which may explain why individual level studies find ambiguous results (see for example, Bergh, Nilsson and Waldenström, 2016; Lynch *et al.* 2004; Leigh *et al.* 2009). On the other social problems, causality is harder to establish, owing in part to the lack of clear understanding about the causal mechanism through which inequality impacts society (Rowlinson, 2011).

However, even without the assurance of causality, the robust correlation between inequality and the incidence of health and social problems is highly consistent with the integrated SDG approach, which seeks to reinforce positive interactions across the goals.

2.2.2. Inequality as an economic problem

Multiple studies support that inequality has a negative impact on growth (Cingano, 2014; Ostry *et al.*, 2014). Measured by the Gini index, the impact of inequality on growth is significant. In OECD countries, a one-point decline in the Gini index would translate to an increase in cumulative growth of 0.8% per year for the following 5 years. Furthermore, inequality as measured by the Gini

coefficient is a significant determinant of the duration of growth spells: Ostry *et al.* (2014) find that "a one-Gini-point increase in inequality is associated with a 6%age point higher risk that the spell will end the next year (or, equivalently, with a decrease in expected spell length of about 7%)" (p. 23). Dabla-Norris *et al.* (2015) have shown that a relative rise in top quintile incomes (top 20% of incomes) has a negative long-term effect on growth, while growth in the bottom quintile (bottom 20% of incomes) is highly correlated with growth. This corroborates similar results produced by the OECD, that shows that the changes in the bottom quantile as a fraction of the mean have a robust and statistically significant effect on national growth (Cingano, 2014).

The causal effect of inequality on growth operates through multiple channels. First, the societal problems associated with inequality incur explicit remedial costs that would not otherwise have been incurred if inequality were less severe. For example, the Equality Trust (2014) estimated that, if the UK reduced inequality so that of the OECD average, expenditure savings on physical and mental illness, violence and imprisonment alone would amount to £39 billion per year. Second, inequality harms growth by reducing disadvantaged groups' access to public goods (Stiglitz, 2013). In a regression analysis framework focusing on all OECD countries, Cingano *et al.* (2014) finds that the negative impact of inequality on growth is essentially due to lesser access to education for disadvantaged groups, as well as to the reduced quality of education for a given year of school enrolment. This inequality in access to quality education reduces individual capabilities throughout their lifetime, and leads, in turn, to a decline in the productivity of the economy as a whole. Third, inequality can harm growth through reducing motivation at work at the micro-level. Using randomized control trials, Fehr *et al.* (2009) in Switzerland and Breza *et al.* (2015) in India showed that payroll inequality has strong and significant impacts on labour productivity: more precisely, workers paid more than their peers do not produce more than the average, while workers paid less exhibit a strong reduction (about 30% in the Swiss case). In a similar vein, Card, Mas Moretti and Saez (2012) show that wage inequality affects job satisfaction in California.

Prominent theories in classical economics argue in favour of a *trade-off* between redistribution and growth (Mirrlees, 1971; Okun, 1975), that suggests that high top marginal tax rates associated with greater redistribution decrease the level of growth. On the contrary, multiple recent studies find that redistribution

has no effect on growth, when considered as an independent variable (Ostry *et al.*, 2014), and when considered as the coefficient to reach a given level of market equality (Ostry *et al.*, 2014; OECD, 2015).³

2.2.3. Inequality as a political problem

Multiple channels provide possible explanations for a link between inequality and political instability. The power of the wealthy extends to a measurable degree of influence in the law in the United States. Through multi-variate analysis of the United States, Gilens and Page (2014) find that “*economic elites and organized groups representing business interests have substantial independent impacts on U.S. government policy, while average citizens and mass-based interest groups have little or no independent influence*” (p. 564). McCarty, Poole and Rosenthal (2002) study the relationship between political polarization and inequality in the USA. The authors measure polarization through several decades of congressmen’s vote records and opinion polls. They show that polarization decreased with inequality in the first part of the 20th Century and rose with it from the mid-1970s onwards. Polarization makes the Republican Party more pro-rich and less likely to adopt inequality reduction policies. A more polarized political system is also said to be less likely to adopt bipartisan, lasting policies.

In line with the polarization channel, a recent study by McKinsey shows that individuals with stagnant incomes over the past decades in the USA and major European countries are more likely than others to support right wing political parties and hold negative view on immigration (McKinsey GI, 2016). The causes for right wing political support are indeed diverse, but such results support the claim that rising inequalities are challenging the foundations of open parliamentary democracies.

Regression analysis also supports the view that inequality is linked to political instability. Ortiz and Cummins (2011) use cross-sectional comparative analysis of 144 countries and find a clear correlation between income inequality and political instability. The authors conclude that “*unequal societies, in general, are much more prone to political instability, or, in other words, to be destabilized or overthrown by unconstitutional or forceful means, which includes politically-motivated violence and terrorism*” (p. 35).

3. Though Ostry *et al.* (2014) find that “extreme levels” of redistribution do have a negative impact on growth, though this effect is not robust.

2.2.4. Inequality as an environmental problem

Several studies suggest a link between inequality and environmental quality *via* two causal channels. The “Veblen effect” channel posits that the more unequal societies are, the more individuals consume to differentiate themselves from other social groups. The mechanism of consumption as a way to mark a certain lifestyle has been relatively well established (Heffetz, 2010). Bowles and Park (2005) show that more unequal countries are countries where people work more and argue that this is due to a Veblen effect, through which lower ranked individuals work more to replicate the lifestyle of higher ranked individuals. When dominant lifestyles are unsustainable—which is the case, the overall environmental of such consumption dynamics is negative.

The other channel through which inequality impacts on environmental quality was introduced above: unequal societies are more polarized societies, in which agreement on trans partisan policies (such as environmental policies) is more complicated. Inequality thus renders more difficult the agreement on and the implementation of environmental policies (Laurent, 2014; Hourcade in Genevey *et al.*, 2013), such as carbon taxes for instance. In addition, it has been argued that elites can, at least for a certain amount of time, prevent themselves from negative effects of environmental degradation (Boyce, 2007). That being said, empirical studies on inequality and the environment offer mixed results. While theoretical links can be convincing, more work is required to fully understand the extent of the problem raised by inequality on environmental degradation.

It should also be noted that inequality reduction can be negative for the environment: when achieved through income growth at the bottom end of the distribution, it is negatively associated with environmental goals. At the individual level, income is positively linked with carbon emissions (Wier *et al.*, 2001; Lenzen *et al.*, 2006; Lenglar *et al.*, 2010). Therefore, under current production and consumption patterns, inequality reduction achieved through the growth of incomes among low earners would counteract carbon mitigation efforts at national and global scale (Chancel and Piketty, 2015).

3. TIME IS RIPE FOR ACTION

Section 2 depicted a rather dark picture of human societies at the beginning of the 21st century—and of their future, if inequalities are not addressed properly. On a more positive note, policymakers

have several means of action to curb rising inequality. A closer look at these means is necessary for at least two reasons. First, the global inequality debate, despite its importance in the academia, in the media and in certain policy circles, still fails to be converted into successful action. Second, if we want to understand how the SDG framework can be helpful to quicken this “shift to policy”, it is necessary to analyse and organize this policy space. A review of such policies cannot be done without a preliminary discussion of the drivers of inequalities. Without attempting to offer an exhaustive review of the vast empirical and theoretical literature in this field, we present a generalised matrix of key drivers of inequality and their related solutions in Tables 1 & 2. In reviewing the literature, a few broad points should be observed.

First, it has been common to divide the drivers of inequality into categories, first between technology and globalisation (for example, Katz and Autor, 1999) and then, more recently, between technology and trade openness viewed in concert, and policies and institutions (for example, OECD, 2011; Milanovic, 2016). We posit that these distinctions are partly artificial and at times misleading. The nature and extent of technological innovation and openness are, to a large extent, determined by government decisions, and the effect of both factors is itself contingent on national-level policies and institutions. In reviewing the drivers of inequality we seek to identify focal points for government intervention, bearing in mind that there is no single policy area where inequality “happens”, but rather, policy decisions cross-cutting a range of government departments which all contribute to distributional outcomes. In that sense our matrix is illustrative rather than exhaustive. We seek to locate key areas where government action is likely to deliver results, based on our review of recent policy research.

Second, the focal points for government action take place at different levels. As we see, many pertain directly to national level policies and institutions, namely labour market institutions and employment policy, fiscal policy and education. Others relate to more outward looking policy areas, including competition policy, innovation, and trade.

Third, in many of these areas, some governments have successfully implemented policies to reduce inequality. We offer examples of successful policies in the third column. However, in some incidences, structural factors restrict the policy space for unilateral action. In these areas, the policy process suffers from a collective action problem, where rational actions by single actors

arrive at sub-optimal outcomes for all unless they opt to act in concert. Coordinated action between states is therefore required to revert the trend of rising inequality. Coordinated action are highlighted in the fourth column.

3.1. Mapping out the drivers of inequality

The current literature identifies six key drivers of inequality: namely, i) the erosion of labour market institutions, ii) the decline of fiscal progressivity, iii) skill-biased technological change, iv) trade liberalization, v) financial deepening and vi) increasing political power of the wealthy. These different factors are discussed below.

The erosion of labour market institutions, the most conspicuous elements of which are the decline in the unionization of the labour force and the decline in minimum wage relative to median wages in many countries, tends to depress wages at the bottom end of the income distribution (Bassanini and Duval, 2006) while increasing wages at the top end (Jaumotte and Osorio-Buitron, 2015). Second, and relatedly, the rise of non-standard employment tends to exasperate market wage inequality, by increasing the precariousness of workers at the lower end of the income distribution (Fournier and Koske, 2012). The role for governments is therefore to find the balance between high employment and low inequality.

Fiscal policy has been a powerful determinant of changes in national level inequality throughout the twentieth century (Atkinson, Saez, Piketty, 2011). It is a key avenue by which governments can remedy inequality of outcomes. The starkest change in the last thirty years has been the decline in top marginal income rates of tax, which have fallen dramatically in many advanced economies and are a strong determinant of top income shares and broader measures of inequality (Piketty, 2014; OECD 2014). Fiscal policy provides a core strategy by which governments can remedy rising inequality of outcomes. However, capital flight has created a trade-off for governments, whereby increasing progressivity—especially rising top marginal tax rates and corporation taxes—can lead individuals and businesses to flee abroad (see Saez, Kleven, Landais, 2013). The free flight of capital to parts of the world with lax taxation systems makes taxation on wealth increasingly difficult. Fiscal responses to rising inequality therefore suffer from a significant degree of collective action problem, giving rise, in turn, for the need for cooperation at regional or international level. However, fears

of capital flight are often overstated: France, for instance has the highest number of millionaires in Europe (Stierli *et al.*, 2014), despite the creation and progressive rise of wealth tax on wealthiest individuals in 1989.

Skill-biased technical change defines the process by which technological innovation benefits the high-skilled workers rather than the uneducated. On the one hand, the digital and information technology revolution tends to increase the productivity of abstract, high-education tasks, while the digital revolution, coupled with automatization of the industry, substitutes for low-skilled workers routines (Autor, Katz, Kearny, 2008). The importance of this driver has however been challenged on the grounds that the penetration of new technologies is not well correlated with the evolution of wage inequality (Card & DiNardo, 2002) and because new technologies have penetrated developed countries at a similar pace, while inequality trends have been substantially different in these countries (Piketty & Saez, 2014). Nevertheless, most commentators agree that skill-biased technical change does have an impact on the polarization of job markets.

Skill biased technical change is often discussed jointly with another driver, namely offshoring, in part because technological innovation has driven liberalization of goods and in part because these two drivers tend to increase the skill premium in labour and capital-abundant countries, leading to rising inequality at the top end of the income scale (see for example Feenstra and Hanning, 1999; Ebenstein *et al.*, 2009). Thanks to trade liberalization policies over the past decades, offshoring enabled the rise of imports in advanced economies from lower-income countries and offshoring have contributed to the hollowing-out of middle-skill occupations in advanced countries, and to “job polarization” as well (Acemoglu and Autor, 2011; Goos, Manning and Salomon, 2014; Krugman, 2007).

This gives rise to a range of possible policy responses. On the ex-ante side, governments can invest in human capital to increase the supply of skilled labour and thus offset the greater demand created by increased trade. However, effects of educational policy take a long time to realise, and in advanced economies, the capacity for significant improvements is generally low—even if the reduction of inequalities in access to quality education can be substantial in countries like France or the USA. A second approach advocates for a more active role of government in driving the course of technological innovation towards greater inclusivity. According to Anthony Atkinson, we need to talk about “*the determinants of the direction of*

capital developments” (Atkinson, 2014). Mounting evidence shows the significant role of the state in seeding and cultivating technological innovation (Mazzucato, 2013). State-led innovation has brought about greater productivity but has tended not to differentiate between innovations where productivity gains are shared, with those where they are not. Rather than treating increasing returns to capital passively, therefore, governments can orientate state-funded innovation toward greater inclusivity. Finally, it is increasingly important that governments adopt a remedial approach, that is to say, compensating those who lose out through as a result of international competition. In effect, such an approach is redistributive, pertaining to fiscal policy, as discussed above. Finally, countries could act multi-laterally to limit or adjust trade flows in order to mitigate competition in industries with significant positive spillovers in terms of wages and employment.

Financial deepening and integration tend to drive inequality at the top end of the income distribution. Tanndal and Waldenström (2016) show that extensive financial deregulation in the UK in 1986 lead to a 20% increase in top income shares, and 10% in Japan after their significant overhaul of financial regulation in 1997. A similar effect has been identified in the US (Phillipon and Reshef, 2012; 2013). For Anglo-Saxon countries, where rising top incomes have driven rising inequality, the growth of financial deepening therefore becomes an essential determinant for rising income inequality (Atkinson, Piketty, and Saez, 2011). However, as top incomes begin to rise in Continental European countries and Japan, this conclusion is becoming more generalised. Cross-country analysis by Cabral *et al.* (2015) suggests “*that the channel through which globalization affects income concentration is through FDI/equity flows*”. Governments regulate financial markets and so can influence the outcomes they produce. Since the 2007 financial crash, the institutional architecture regulating financial flows has been strengthened in order to ensure stability of global financial markets, including a significant degree of cooperation between states, in particular through the G20 and the Basel Committee. But substantial efforts in this domain still remain to be done.

As inequalities abide, individuals with extremely high wealth can influence political processes in order to entrench their position. As highlighted in the previous section, this can lead to rent-seeking practices that create economic inefficiencies like under-investment in public education, and entrench inequality as policies favour the rich at the expense of the poor (Gilens, 2012). Globalisation helps to tip the balance in favour of the wealthy,

Table 1. Drivers of inequality and related solutions

Inequality driver	National level policy areas	Country examples	International level policy response
<ul style="list-style-type: none"> Erosion of labour market institutions: <ol style="list-style-type: none"> Decline in unionization of labour force leads to reduced worker bargaining power Decline in the minimum wage relative to the median increases inequality at the bottom of the income distribution. The rise of non-standard employment precipitates greater inequality 	<ul style="list-style-type: none"> Reinforce legal framework to ensure that trade unions workers are represented on level terms (Atkinson, 2015) Increase spending on “active labour market institutions” (OECD, 2012) Optimise national minimum wage level in order to increase median wages and employment Reducing the gap between employment protection on temporary and permanent work (OECD, 2012) Government target for preventing and reducing voluntary unemployment and underemployment (Atkinson, 2015) 	<ul style="list-style-type: none"> Countries with no minimum wage but strong labour market institutions to reinforce the bargaining power of labour include: Sweden, Switzerland Countries with high, mandatory minimum wage but weak labour market institutions: UK. 	
<ul style="list-style-type: none"> Decline in fiscal progressivity <ol style="list-style-type: none"> Flattening of progressive taxation Weakening of redistributive policies Decline in the progressivity of social security Tax evasion especially amongst the rich 	<ul style="list-style-type: none"> Increase the progressivity of taxation Improve targeting of social spending Strengthen regulatory framework to monitor and prevent tax evasion 	<ul style="list-style-type: none"> Much lauded cash-transfer policies in many Latin American countries had an unambiguous negative effect on inequality (Soares <i>et al.</i>, 2009) 	<ul style="list-style-type: none"> Regional and international fiscal coordination in order to prevent competitive taxing at international level Plugging the gaps: build on OECD and EU agenda to prevent tax evasion.
<ul style="list-style-type: none"> Offshoring and technological innovation lead to: <ol style="list-style-type: none"> an increase in the skill premium in advanced countries and in countries where offshore production takes place (Feenstra and Hanning, 1999); “job polarization”; declining demand for middle-income, routine occupations in advanced economies (Acemoglu and Autor, 2011; Goos, Manning and Salomon, 2014; Krugman, 2007). 	<ul style="list-style-type: none"> Ex-ante - Invest in human capital to increase the supply of skilled workers (Katz and Autor, 1999) Ex post - Compensation for domestic workers who lose out from offshoring or mechanization, either through wage setting practices, basic income, stakeholder grants (Olin Wright, 2006) or guaranteed work (Atkinson, 2015) Increase marginal income tax rates for the rich in order to redistribute the produce of economic integration 		<ul style="list-style-type: none"> Reform trade policy, and bi-lateral and multi-lateral agreements in order to reflect distributional concerns, including a strong conditionality that regulation does not prohibit the growth of emerging economies
<ul style="list-style-type: none"> Financial deepening and integration is a significant factor in increasing top income shares, especially in countries where top income shares have risen the most (Tanndal and Waldenström, 2016). This owes in part to the increasing significance of financial sector workers in the top 1% (Philippon and Reshef, 2013; 2013) 	<ul style="list-style-type: none"> Introduce a distributional aspect to considerations on financial regulatory reform. 		<ul style="list-style-type: none"> International cooperation on financial regulation possibly harnessing the architecture for cooperation in financial regulation created in wake of the financial crisis that focuses on financial stability (G20, Basel Committee), to include distributional considerations.
<ul style="list-style-type: none"> Increasing political power of the wealthy 	<ul style="list-style-type: none"> More stringent regulation of interactions between lobbies and the policy process More stringent regulation of political campaigns financing Civil-society watch over these issues Public support for independent media 	<ul style="list-style-type: none"> As Prime Minister of Chile, Michelle Bachelet eliminated the “fuf” - a protected fund that allowed profits to be reinvested without taxation. Countries that currently have a wealth tax in place are Argentina, France, Spain, India Norway, Switzerland and Italy. 	

because as capital becomes more mobile, governments seeking investment from capital must increasingly accommodate the needs of capital owners, rather than the other way around. Governments can mitigate the effect of wealth in politics by taxing wealth, however, capital flight and tax havens mitigate the effectiveness of unilateral action. This gives rise to the need for international cooperation. Thomas Piketty (2014) proposes a global tax on wealth to mitigate the effects of rising wealth inequality. Despite the high visibility of Piketty's work, though, the call has not yet been heeded.

3.2. "It is the policy, stupid!"

The multiplicity of known drivers of inequality, and of subsequent policy areas to address these drivers, suggests that inaction does not derive from a knowledge gap. After a decade of landmark research, coverage and quality of available data on global inequality has expanded significantly (Milanovic, 2013; WID, 2016), and the reality of rising inequality in most countries in the world now has a strong factual basis. Moreover, inequality is a high profile global issue, and support for reform has received bi-partisan support in many advanced and emerging countries. To a significant extent, the core drivers of inequality are known, and can guide policy response. If anything, the expansiveness of the research may play an inhibitive role, that is, the multiplicity of drivers and the often-conflicting narratives that have surrounded inequality over the last few decades (see for example Krugman's reversal on the role of trade, Krugman, 1994; 2007) could confound policy makers in pinpointing relevant areas of response.

There is no consensus on *the* main driver of income or wealth inequality, but this should not prevent from action. Decline in fiscal progressivity and labour market erosion offers two very powerful explanations to rising inequality, accounting for the diversity of inequality trajectories between countries. However, as shown above, there is a plurality of causes offered to rising inequality and none clearly stands out in the global inequality debate. Yet, most participants to the debate agree that each of the key drivers discussed above contributes to a certain extent to rising inequality. The discussion then rather pertains to how drivers and their implied solutions are hierarchized. However, this should not inhibit action.

Action at the national-level will be essential in reversing the trend of rising inequality. As demonstrated by the tables, policy response to rising inequality is disproportionately weighted towards the national level. This confirms the

widely-held view that inequality is not "structurally" determined, by forces beyond political reach. Heterogeneous income and wealth disparity among countries at similar levels of income and with similar levels of trade exposure indicate that global factors alone do not suffice to explain changes in the income distribution. Policies and institutions are a strong determinant of within-country income distribution.

There are clear areas where collective action is either required or highly desirable as a conduit to reduce inequality. We identify three areas where inequality reduction suffers from a collective action problem, whereby rational decisions made by individual states lead to sub-optimal outcomes for all: fiscal policy, trade, and financial regulation (in the right hand column). In these areas, collective action is a requisite to mitigate the drivers of inequality.

4. DO THE SDGS HELP?

4.1. What can be expected from the SDG framework?

While there are diverse narratives explaining how and why the SDGs were set up, the core idea is that they were designed to fill an implementation gap (Caballero, 2015; SDSN, 2015; Voituriez, 2013). The 2030 Agenda calls for countries to develop action plans from their existing national sustainable development strategies and to align their policies towards the SDGs and associated targets. Considering the varied effectiveness of existing sustainable development strategies (Steurer and Hametner, 2013), one can wonder however what the SDGs can actually deliver.

The theory of change underpinning the SDGs is not explicit when reading the Agenda 2030⁴. Goal-setting as a governance strategy has been under the scrutiny of scholars since the diffusion of New Public Management principles across public administration in OECD countries in the 1980s, and also in the wake of the MDGs twenty years later. In his chapter in the book *Governing through goals – Sustainable Development Goals as governance innovation* (Kanie and Bierman, 2017), Oran Young (2017) recalls that goal setting seeks to steer behavior by (i) establishing priorities, (ii) galvanizing the efforts of those assigned to work toward attaining the goals, (iii) identifying targets and providing yardsticks or benchmarks to be used

4. <https://sustainabledevelopment.un.org/post2015/transformingourworld>

in tracking progress, and (iv) combating the tendency for short-term desires and impulses to distract the attention or resources of those assigned to the work of goal attainment. He then infers that devising clear-cut metric is both a requirement and expected outcome of goal-setting as a governance strategy. Following Young (2017), we retain the supply of a harmonized metric as the first contribution of SDGs to fostering action.

Further, Young (2017) points to an interesting feature distinguishing goal-setting and rule-making:

“The essential premise of goal setting as a governance strategy (...) differs from the premise underlying rule making. Whereas rule making features the formulation of behavioral prescriptions (for example, requirements and prohibitions) and directs attention to matters of compliance and enforcement, goal setting features the articulation of aspirations and directs attention to procedures for generating enthusiasm among supporters and maximizing the dedication needed to sustain the effort required to reach more or less well-defined targets. Moreover, whereas goal setting normally features the mounting of a campaign designed to attain goals within a specified time frame, rule making features the articulation of behavioral prescriptions expected to remain in place indefinitely”.

This distinction is illuminating for it basically reminds us that in essence SDGs are not binding. No compliance and enforcement mechanisms were ever thought when negotiating the Agenda 2030. Instead, what is implicitly expected is that *“(o)nce the goals are established, efforts to attain goals normally proceed in campaign mode”* (Young, 2017).

What kind of campaign can be expected to foster the achievement of goal 10 and its associated targets? The theory of change of campaigners would deserve a paper in its own right. We draw on a recent paper of ODI which distilled key principles for a theory of change in the broad field of development (Valters, 2015). This field is of particular interest because it has already experienced goal-based governance with the MDGs. Valters (2015) posits that theories of change are to support learning. Learning purposes include being *“accountable, improving operations, readjusting strategy, strengthening capacity, understanding the context, deepening understanding (research), building and sustaining trust, lobbying and advocacy and sensitizing for action”* (Young et al., 2015). Decisive in focusing policies, financing and campaigns on the MDGs, the first series of development goals radically changed donors’ conception of development, instilling the idea of development as a trial-and-error process on the various *means* for a given

end—the MDG list (Banerjee and Duflo, 2011). The simplicity of the targets that set absolute goals served as a strong conduit for states and guided international funding organisations. Furthermore, the goals served a simple narrative, triggering self-fulfilling prophecies. They imagined a future of “zero hunger”, “half the number of people in extreme poverty” and in doing so they shifted expectations and spread the idea that achieving the goals was not only necessary but more importantly possible.

Now that the universal SDGs supersede the donor-based MDGs, national policies supersede development projects, but the idea remains of (sustainable) development as a trial-and-error process. We infer that policy learning across countries is another keystone of the theory of change underpinning the SDGs.

Another lesson from the MDGs is that a comparison of countries performance is made possible by the existence of a harmonized metric. Some leading scholars could denounce the MDGs on the ground that they were unfair for Sub-Saharan African countries precisely because ranking countries had become an immediate by-product of the MDG targets matrix (Easterly, 2007). Turning it in a positive fashion, one could argue that as the SDGs have been negotiated by all countries (which was not the case of the MDGs which were set by donor countries), the mere possibility of ranking them becomes an implicit driver for change for any of them.

The education survey known as the *Program for International Student Assessment (PISA)* is enlightening regarding the impact of international rankings. Without exaggerating its virtues, PISA has had an influence on the development of education policies in the majority of developed countries (Breakspear, 2012) for several reasons: this type of survey promotes exchanges between policymakers and experts and allows the strategies of leading countries in an area to be used for comparative studies (including between countries with similar socioeconomic characteristics); it legitimizes ongoing reforms (for example the UK has used the PISA ranking to support reforms outlined in its national strategy); it strengthens the quality of national assessments (expansion of the scope of evaluation, further improvement of indicators, etc.); it enables policy decisions to be better informed according to national and international requirements (Scotland viewed the PISA ranking as a way to measure its relative decline and to influence policy decisions, while focusing on the national context) (Breakspear, 2012). Peer pressure is the third keystone of the theory of change underpinning the SDGs.

Table 2. Converting debates into action: Assessing the SDGs contribution

	SDGs EFFECTIVE CONTRIBUTION	SDGs POTENTIAL CONTRIBUTION	CONDITIONS TO TAP THE POTENTIAL	LEVERAGING OPTIONS
PEER FOCUS (METRIC)	Inequality metric Indicator with threshold (Bottom 40% income growth must be higher than average)*	Can be completed by Top1% income and wealth share, or Middle 40% income/wealth share.	Broaden the country coverage and dissemination of income data on the full distribution Combination with national BGDG frameworks	Reference academic data report
PEER PRESSURE	Global Sustainable Development Report (GSDR - "the IPCC of SDGs") Country reports and secretary general report on inequality at HLPF 2019 Country annual statistical reporting**	GSDR dedicates one annual issue on policy learning Base year/period to monitor 10.1 target Inequality reduction "champion" country to choose HLPF 2019 for accounting progress	Serious lobbying towards GSDR Serious lobbying towards national statistical reporting agencies Unification of national BGDG indicators frameworks and SDG indicator	Global Think Tanks Report on Inequality Changes & Policies (ICP) Civil society implication via name and shame NGO campaigns
PEER LEARNING	Reporting on Inequality (HLPF 2019) to be made on a voluntary basis**	Inequality reduction "champion" country to choose HLPF 2019 for accounting progress	Clarifying political and policy conditions which led to successful reduction of inequalities in successful countries	Institutional framework for an inequality reduction policies forum (think tanks, civil society, administrations) Unpacking the toolbox: A guide to policy makers

Legend. BGDG: Beyond GDP; GSDR: Global Sustainable Development Report; HLPF: UN High Level Political Forum in charge of reviewing and debating national SDG strategies & achievements. * Major contribution ** Minor contribution

4.2. A tentative assessment of SDGs contribution to policy change

We assess the specific utility of the SDG framework in order to address the range of political economy problems that explain the implementation gap on inequality. We ask what the practical tools offered by the SDG framework (peer focus, peer review, and peer learning) can effectively contribute to fill the implementation gap in the specific case of domestic economic inequality. We also identify areas where the 2030 agenda falls short in terms of filling the implementation gap. Finally, we outline the conditions under which the utility of the SDG can be realised, and suggest some options for state and non-state actors in order to realise these conditions and leverage the existing framework.

4.2.1. Do SDGs provide a standardised metric to track inequality?

The 2030 Agenda calls for an extensive set of global indicators in its outcome document (UN, 2015) that would be *"simple yet robust, address all SDGs and targets including for means of implementation"*. The framework, the resolution notes, requires that there be 'timely, reliable, and disaggregated data to support the implementation of the ambitious 2030 Agenda'.

A common set of 230 indicators was agreed in 2016 at UN level as the backbone of monitoring the SDGs at local, national, regional, and global levels. They will serve as a management tool to help countries develop implementation strategies and allocate resources accordingly, and as a report card to measure progress towards achieving a target and to ensure the accountability of governments and other stakeholders for achieving the SDGs. Further, the High-Level Panel on the Post-2015 Development Agenda (HLP) and the Independent Experts Advisory Group on the Data Revolution (IEAG, 2014) have highlighted the opportunities for a data revolution using the potential of big data, new forms of social and geophysical data, and innovative means of data sharing. Producing and sharing high-quality statistics on common metrics, which can be used by statistical agencies, governments, academia, the media and civil society, is the first expected contribution of SDGs to converting discourses to action.

Over the past decades, an increasing number of countries have adopted so-called "beyond GDP" indicators to complement GDP and better measure social, environmental and broader economic factors (Chancel, Thiry and Demailly, 2015). The inclusion of within-country inequality in the context of the UN global goals thus reflects the emerging consensus around the importance of inequality

mitigation as an integral part of the package to improve social, environmental and economic outcomes. A close look at national beyond-GDP initiatives shows that inequality featured prominently amongst them prior to the finalisation of the SDGs. In a review of 21 existing initiatives, we find that 18 (about 85% of cases) include a metric on inequality (Appendix A). Amongst the initiatives that included inequality, most favoured an interquartile ratio (income level or share of the top 20% group divided by the income level or share of the bottom 20% group). For the few countries where a national inequality indicator exists, these metrics can however difficultly be compared with one another because they vary from country to country. The SDGs now provide a common, universal target for all countries in the world.

By ensuring that the bottom 40% does not lose out, the target clearly reflects the SDG principle to “leave no one behind”. However, as discussed above, the indicator is potentially blind to changes at the apex of the distribution (in situations where the top groups and bottom groups grow while the middle shrinks, for instance). Rising top income shares are a significant determinant of rising inequality at the national level. The SDG target could thus be complemented by data producers with a measure reflecting the evolution of top incomes, or with interquartile ratios. Another complementary metric could be thought of—for instance, it could also be the S80/S20 share, which is already used in most countries which adopted a beyond GDP framework. In any case, the important point is that this complementary metric should give an idea of the evolution of inequality beyond the bottom 40%.

The SDG inequality indicator has already been set and will not be revised. How could a complementary indicator then be pushed forward? One possibility is the production, by the academia, of a reference global inequality report (nicknamed “ICP” in table 2), year after year, which would disseminate data on the evolution of domestic inequalities, including the bottom 40% SDG metric, along with a set of other key inequality indicators.

4.2.2. Can SDGs create peer pressure and increase political will for change?

The SDGs indicator not only provides a harmonized metric. It also sets a threshold: “by 2030 progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average”. This monitoring is carried out through an annual reporting system, under the aegis of the UN Secretary General, based on indicators and national statistics.

The domestic inequality threshold has been viewed as too low by certain actors of the debate. Prior to the finalization of the goals, a group of ninety leading economists and practitioners came together and suggested that countries use the Palma ratio—the income share of the top 10% as a ratio of the income share of 40%. It also suggested that the ratio should be kept below two. As discussed above, indefinitely prolonging *Target 10.1* would imply full income equalization within countries, but this cannot realistically happen by 2030. In fact, nothing in *Target 10.1* is targetting the speed of inequality reduction, nor the optimal zone in which countries should evolve. Nevertheless, a simple pass and fail test over the recent period (Chancel and Voituriez, 2015) shows that *Target 10.1* is already transformational: to reach the target, several countries in the developed and developing world will have to invert current inequality trends. The dissemination of such pass and fail tests, is likely to trigger peer pressure itself pushing for action at the national level.

Many countries—and OECD countries in particular—have for many years submitted their national sustainable development strategies to the critical scrutiny of other countries (“peer reviews”⁵), but these assessments have only had a limited influence on national policy. It is indeed particularly difficult to satisfy the conditions necessary for these peer reviews to have an impact: high level political commitment, adequate budgetary resources, involvement of non-state actors, timeliness, among other factors (Vaillé and Brimont, 2016).

Is a PISA-like ranking conceivable within the SDG framework? PISA benefits are maximised when stakeholders recognize the indicators as legitimate, when monitoring and reporting mechanisms are in place—as planned in the 2030 Agenda—and when the results of the evaluation exercises are disseminated to the media (McGee, 2010). We must be clear however that if a country ranking will be technically feasible thanks to national statistical reports on SDGs, it remains politically tricky. Ranking countries according to their performance in achieving specific goals and targets is very unlikely to become part of the mandate of the UN High Level Political Forum. This ranking, which according to us is a key lever for national action, could be produced instead by coalitions of Think Tanks and research institutions out of the UN system.

5. Voluntary procedures for which the European Commission, the OECD and the Economic and Social Department of the United Nations provide guidelines.

4.2.3. Can SDGs provide a platform for learning?

A third contribution of SDGs to converting policy discourses into action lies in the opportunity they provide to compare policy performance across countries, and learn from both successes and failures. Without being too naïve on the possibility to compare countries performance and derive applicable policy solutions in different contexts, recent evidence in climate change policies tend to suggest that countries can learn from one another and reduce their own risk aversion toward sustainable development policies (Colombier, 2015; Tubiana and Henry, 2017). By making the case that reducing inequality is actually *feasible*, one country's success can elicit political traction in another country and make at the very end SDGs implementation not a showcasing exercise, but a genuine experimentation process (Chancel and Voituriez, 2015).

There are already dedicated platforms enable mutual learning among countries. At the opening of the 2016 High-Level Political Forum (HLPF) on the Sustainable Development Goals, Under-Secretary-General Wu Hongbo commented that 'the lessons you have offered, the actions you have showcased, and the gaps you have identified, they are what this Forum is about. Advancing the SDGs through sharing of experiences, and mutual learning' (UNDESA, 2016). The Forum included SDGs Learning, Training and Practice sessions 'providing capacity building, networking and experience-sharing opportunities on crucial topics related to the implementation of the 2030 Agenda'.

The issue of inequality is highly suited to this kind of platform. An expanding literature has identified an extensive range of national level policy responses that states may adopt in addressing high or rising inequality, and furthermore, many countries have successfully implemented policies to reduce inequality. The examples listed in the third column of Tables 1 and 2 offer a non-exhaustive illustration of successful state-level actions to break entrenched inequalities. Some preeminent examples, like the case of Chile since the middle of the 2000s, offer huge scope for learning and adoption by other countries and the sustainable development platform provides a dedicated platform to that end. Examples such as the case of Chile also support a process of South-North learning. It is hoped that such a process would increase the buy-in for the broader goals amongst countries in the Global South.

However, much remains to be done to increase the functionality of the mutual learning process—of genuine peer learning. Greater focus is

required to encourage and vitalise the learning process beyond current state practice at HLPF where the risk of "showcasing" national strategies and anecdotal successes cannot be discarded. Forums cannot simple serve as platforms for states to selectively clarify their individual successes while overshadowing and exonerating responsibility in areas where they have underperformed.

4.3. Beyond the SDGs: ensuring consistency between international agreements and sustainable development

There are clear areas where international coordination is needed to reverse inequality trends, though specific utility of the SDGs in this context remains unclear. Most, not to say all, inequality drivers reviewed in Table 1 could be more efficiently targeted with coordination at regional or international level. In particular, policy coordination at regional or international level is essential to align actions of states with inequality reduction targets in the particular issue areas of trade, financial regulation and fiscal policy.

However, the provisions pertaining to these three issue areas in the Agenda 2030 are either conservative or elusive, in the sense that they do not require from governments to take any further concrete step. Goal 10 urges governments to "*adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality*" (Target 10.4) without mentioning coordination across countries. And when global action is referred to, the wording is so loose that no decision can be expected. This is the case of financial regulation: Target 10.5 aims to "*improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations*". When dealing with trade, governments commit to business as usual, namely to "*implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements*" (Target 10.8), to "*Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda*" and to "*Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions*" (Goal 17).

The Agenda 2030 hence foregrounds more open trade as general means of implementation. This is not surprising if we remember that sustainable

development was added in 1994 in the Preamble of the WTO as an overarching objective of the Organisation when taking over the GATT.

To what extent is the policy space given to WTO member countries large enough to allow them to achieve non-trade objectives such as the SDGs is a question which reaches beyond the scope of this paper. What we would like to briefly recall though is that the pursuit of inequality reduction objectives is not mentioned in GATT and WTO texts—neither as an ultimate goal of trade agreements, nor as a non-actionable exemption to trade rules. GATT Article XX on General Exceptions lays out a number of specific instances in which WTO members may be exempted from GATT rules. Pursuant to this Article, WTO members may adopt policy measures that are inconsistent with GATT disciplines, but necessary to achieve sustainable development objectives, namely to protect human, animal or plant life or health (paragraph (b)), or relating to the conservation of exhaustible natural resources (paragraph (g)). Yet none of them refer to social justice or inequality.

The last attempt to include “social clauses” into WTO discipline, and in particular exemptions to trade liberalization rules, dates back to 1996, at a time when the US pushed for the inclusion of ILO core labour standards to complement exemptions and safeguards rules. Under the leadership of India, developing countries managed to kill the proposition.

In 2004, Pascal Lamy then EU Trade Commissioner called for the revision of safeguard and exemption rules to allow countries to safeguard legitimate social choices. *“International market-opening is a tremendous force for growth and employment that benefits us all. But whatever its benefits, it also has a destabilizing impact on the economic and social fabric, and potentially on societal choices”* Lamy (2004) wrote. Yet the idea of a special safeguard clause was rejected by the European Commission itself. More than 10 years after, globalization bashing on the ground that globalization serves the interest of the wealthy/elite and put democracies at risk confirms Pascal Lamy’s intuition. It also sounds like a reminder that reshaping the world trading system as if sustainable development really mattered seems now inevitable.

This *aggiornamento* has been relentlessly called for by influential economists over the last

decade—such as Rodrik, Stiglitz, and recently Piketty. How to use trade deals as a means to achieve sustainable development objectives is the question they all raise. What we would like to emphasize before concluding, is that the universality of the SDGs and the novelty of the inequality reduction target all make this question much more legitimate now than it has never been—and hence more likely to gain traction across a wide range of constituencies, campaigners and policy makers.

CONCLUSION

Rising economic inequality within countries is a defining challenge of our time. A growing body of literature highlights the negative impacts of domestic inequality on a wide number of political, social, economic and environmental problems—thus making domestic inequality a key sustainable development challenge. However, over the past decade, despite growing concern, debates have not been converted into action and domestic inequality keeps rising.

The inclusion of inequality within the Sustainable Development Goals framework shows that the international community is now willing to tackle this problem. One can wonder however what could be the effective contribution of a United Nations process which does not have any constraining mechanism.

What comes out of our research is that the SDGs provide three levers to turn the global inequality debate into action: peer focus (a common metric), peer pressure (a ranking of countries) and peer review (mutual learning of policies).

The contribution of SDGs to each of these levers is however not equal. While the common metric exists, only significant involvement from civil society and commitment from governments will make it possible for peer pressure and learning to become effective. These three effective and potential contributions of SDG stand out as necessary conditions to transform the global inequality debate into action. But they are not sufficient. The relationship between SDGs and international trade agreements also needs to be clarified. How to ensure consistency between international agreements and sustainable development is a central question for policy research in the years to come. ■

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APPENDIX A

Country	Initiative	Initiator / Main or secondary initiative	Indicator type	Threshold?
Australia	Measure of Australia's Progress	Australian Bureau of Statistics (ABS)/Main	P10/P50	Share
Austria	How's Austria	Statistics Austria/Main	S80/S20; net wealth in deciles; gross wealth	Income: share. Wealth: threshold.
Belgium	Complementary indicators in addition to GDP	National Accounts Institute (NAI)/Main	S80/S20	Share
Bhutan	Gross National Happiness	Bhutan government/Main	/	/
Canada	Environment and sustainable development indicators	National Round Table on the Environment and the Economy/just read it was dissolved in 2013 by Harper	/	/
Finland	Findicator	Statistics Finland and the Prime Minister's Office/Main	Gini	Share
France	Les nouveaux indicateurs de richesse	French government/Main	S80/S20	Share
Germany	W3 Indicators	Study Commission on growth, wealth and quality of life set up by the Bundestag/Main	income distribution P80/P20); wealth distribution P90/P50	Share
Italy	Measures of equitable and sustainable wellbeing	The Italian National Council for Economics and Labour (CNEL) and the Italian National Institute of Statistics (ISTAT)/Main	S80/S20	Share
Ireland	Measuring Ireland's progress	Central Statistics Office/Main	No inequality indicator but an "at risk of poverty" indicator that works with a threshold value (income below 60percent of the median income)	Threshold
Israel	Israel Well-being Indicators	Israeli Government/Main	Gini	Share
Luxembourg	PIBIen-être	The Economic and Social Council (ESC) and the Higher Council for Sustainable Development (HCSD) and the National Statistics and Economic Studies Institute/Main	Gini	Share
Malaysia	Malaysia Well-being Report	Economic Planning Unit in the Prime Minister's Department/Main	Gini	Share
New Zealand	The Social Report	Ministry of Social Development/Main	S80/S20	Share
Northern Ireland	Measures of National Wellbeing for the UK and Northern Ireland	Office for National Statistics UK & Northern Ireland Statistics and Research Agency/Main	Individuals in households with less than 60% of median income after housing costs	Threshold
Portugal	Well-Being Index	Statistics Portugal/Main	S80/S20	Share
Scotland	Scotland Performs	Scottish Government/Main	/	/
Slovenia	Wellbeing Indicators	The Indicators of Well-being in Slovenia project is implemented by a consortium of four institutions: the Institute of Macroeconomic Analysis and Development (IMAD), the Statistical Office of the Republic of Slovenia (SURS), the Slovenian Environment Agency (ARSO) and the National Institute of Public Health (NIJZ)/Main	S80/S20 + Gini	Share
Spain	Indicadores de la calidad de vida	Instituto Nacional de Estadística/Main	S80/S20	Share
Switzerland	GDP and beyond indicators	Swiss Statistics/Main	S80/S20	Share
UK	Measures of National Wellbeing for the UK and Northern Ireland	Office for National Statistics UK & Northern Ireland Statistics and Research Agency/Main	Individuals in households with less than 60% of median income after housing costs	Threshold

Reducing inequalities within countries: converting the global debate into action

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