

ACHIEVING GREATER EQUALITY IN THE NATIONAL AND GLOBAL ECONOMY

“We hold these truths to be self-evident: that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness.”

That sentence, taken from America’s Declaration of Independence in 1776, was followed 13 years later by these words in Article 1 of France’s revolutionary Declaration of the Rights of Man:

"Men are born and remain free and equal in rights. Social distinctions may be founded only upon the general good."

In those two sentences--authored on two different continents in two different languages for two different peoples nearly 250 years ago--lie the origins of what we today, on all continents, simply assume are the natural rights we ought to enjoy.

Yet those rights are not rights all of us actually enjoy—even though they are what we at Socialist International, throughout our shared political history, have always fought for—as citizens of our nations and citizens of the world.

Here, in Cartagena, Colombia, representing the 153 member parties of Socialist International, we reaffirm our deep and unshakable belief in human equality and its power as the foundation, measure, and goal of all just societies, and in the irreducible right of all men and women equally to enjoy the fruits of their lives, their liberties, and their pursuit of happiness.

In this moment of insurgent right-wing neo-populism, we do not mean to stop with that affirmation. Instead we are gathered here first to challenge those reactionary forces and ideologies that still prevent billions of human beings from living lives of true equality and freedom. We next will articulate strategies and politics that will lead towards a better and more egalitarian future. Finally, we will express our fierce determination to confront those reactionary forces, again and again, until they are defeated, and universal rights are equally assured in every corner of this tiny planet.

We say this knowing that right-wing neo-populists, with alarming frequency, have begun assaulting democracies for their openness and tolerance---in the name of a frightened, inward-looking nationalism that pits us against one another, the rural against the urban, the newly-affluent against the “new poor”, college graduates against the high school leavers, “real” citizens against our new—and dangerously “different”—refugees and fellow citizens. In neo-populist fantasies, a dark, conspiratorial elite, on behalf of a satanic secular globalism, is threatening our traditional values, communities, and ways of life.

Longer History, Deeper Challenges

But these neo-populists, and the truly dark forces behind them, are anything but new—in fact they've been active, in fluctuating form and strength, for more than 150 years. That's why we know they won't deliver the prosperity or the security they promise—because they are congenital purveyors of false hopes, offering easy solutions that won't, in fact, work. Judging from the historical record, all their actual policies do guarantee is that the quite real economic, political and social advances that the poor, the working classes, and the middle classes worldwide have won over the past century will be eroded—and potentially lost for a generation or more.

Neo-populism, however, is only one face of the powerful forces at work on the global right today.

Behind these parties and their leaders are deeply-embedded forms of privilege and exploitation that have, for far too long, favored men over women, the strong over the weak, the violent over the peaceable, the rich over the poor, the North over the South, the West over the Rest.

Those hierarchies have survived by relying, in turn, on the many forms of deep prejudice that condemn billions of our fellow humans to far less than full equality and freedom, not because of their character or actions, but because of their race, or the region, ethnicity or nationality, religion or class into which they were born.

Those sorts of prejudices have, century after century, generated powerful social, economic, and political relationships and institutions—expressed at one level in repressive laws and customs, and at another in judgmental daily attitudes about those not like “us”.

Generation after generation, children have been (and still are) born into these worlds built on such prejudices, and been forced to live stunted lives that the powerful have endlessly insisted are the only lives they can expect—even though these sorts of societies, constructed to benefit the few in the name of the many—violate the most fundamental tenets of human equality and liberty.

The Centrality of Economic Inequality—and the Power of More Equality

There is a third overarching issue that we will address here—the issue of income and wealth inequalities, both between citizens of individual nations and between all citizens, spread across all the nations of the world. Today, we know more about the shape and scope of these inequalities than ever before—and know far more about their consequences, both in worsening the prejudices that underpin hierarchies of exploitation, and in fostering the neo-populism that threatens so many of our hard-won achievements.

In recent years, economists such as Thomas Piketty and Anthony Atkinson have reawakened progressives worldwide to the central role our policies toward income and wealth effect equality in a successful future. In fact, we believe that with their laser-like focus on the harms of inequalities, and their carefully-gathered evidence that inequality is growing worse, these economists will in the coming years serve the role Lord Keynes and his work on aggregate demand played in the 20th century by defining government's responsibility for macro-demand.

This new distribution paradigm is so central that we can no longer accept GDP goals of, say, 4% or 5% or 6% growth—if 90 or 80 or 70 or 60% of that GDP's growth go to the top 1, 2, or 3%. When fewer than a dozen mega-rich billionaires are together wealthier than the bottom half of humanity three

billion people---then this is a matter of paramount political and moral, not just economic, importance for us all.

How Did We Lose Sight of Economic Equality's Importance?

For several decades after World War II, the issue of economic inequality actually took a back seat in aggregate growth in the West, as variants of Keynesianism supplanted the more conservative, market-led (and often anti-state and anti-labor) assumptions of 19th century Neoclassical economics. Across the developed world, state-enhanced and regulated market economics kept paying off: aggregate growth rates were high and far more stable, with smaller and shorter recessions than in the “free market” years before World War II years).

What's more, with sharply-progressive income and wealth taxes, and more and more spending on public goods that accelerated upward mobility, as well as legal assaults against racial and gender inequalities, more and more income equality came almost “naturally” with this GDP growth—or so it seemed at the time. There was, in simple terms, more of everything for more people, more fairly distributed than in any other time in modern human history.

The sharp rise of public spending (with most of it on social welfare, from education to retirement to health) ended up doubling democratic governments' share of GDP to nearly 40%, and stirred howls and cries of “socialism” from conservatives.

For ultra-conservatives such as Friedrich Hayek and Milton Friedman, all this public spending was doubly baleful because they thought it meant constant inflation, soaring government debt, crowding out of private investment and eventually the loss of individual freedom. (All this represented, in Hayek's famous phrase, “the road to serfdom”.)

Yet for most inhabitants of the OECD countries reality kept defying Hayek's and Friedman's predictions. In fact there was good reason, as Piketty reminds us, to call the three decades after World War II as “les trentes glorieuses”---the thirty glorious years, and very definitely not a road to serfdom.

For democratic socialist and social-democratic parties in the West, these decades were politically “glorious years” as well. In many advanced countries, progressive parties were elected to government, while the old prewar rightist parties languished (or collapsed) and the newer center-right parties either helped progressive pass or didn't try to repeal landmark social welfare and economic regulation legislation that the left had long sought as bellwethers of more equal, more just societies.

The Cold War's sharp divisions, because Soviet and Chinese communism were strongly opposed by Western socialists and social democrats, expanded the space for the non-communist left. Meanwhile, in the rapidly-decolonizing South, the Cold War created political space as well, allowing progressive parties to challenge traditional right and center-right competitors—although the process of building progressive governments was often stalled or reversed by repression in the name of anti-communism.

Still, by the 1970s, in Latin America, Asia, even sub-Saharan Africa, there were good reasons to believe that “the Third World” was poised for real democratization and rapid economic development--but then suddenly in the 1980s the “glorious years” ended—at least for that progress and for the left. For a resurgent right, however, the good times were just beginning.

In the US and Western Europe, Keynesianism and an activist progressive state came under relentless assault. Where nominally “left” governments survived, they found themselves constrained by the forces of neoliberalism. Working-class unions—long a backbone of progressive politics—began a sharp decline in membership, while corporations and finance gained enormous new influence, prestige, and wealth. Politicians across the spectrum embraced lower taxes, less regulation, more global trade and output, and more authority and influence for business. “Government,” in Reagan’s famous formulation, “isn’t the solution; it’s the problem.” The era of neoliberal globalization was underway.

In the West, left parties began a slow eclipse—either as governing parties or ideologically, as left rather than neoliberal parties. In the Communist East, the Soviet Union and China would begin their unsteady lurch away from detailed, top-down state planning of the economy in favor of an eclectic, often chaotic, amalgam of socialist and capitalist tendencies, labeled perestroika in Moscow and “socialism with capitalist characteristics” in Beijing. By the 1990s, the USSR was gone, and China was changing in once-unimaginable ways.

Across the South, growth plunged and inequalities worsened as the IMF and World Bank effectively imposed textbook neoclassical models on fragile and semi-modern, semi-developing economies. Budgets were forcibly balanced (most often by cutting health, education, and public welfare spending). Trade barriers were removed to allow cheap foreign goods into local markets without regard for the impact on local farmers, small manufacturers, and traditional retailers, as well (needless to say) as on workers and their families.

After the evidence of a “lost decade” of development in the global South became simply overwhelming, the Bank and IMF “apologized”, and curtailed their authoritarian neoliberalism. Now their mantra was “growth with poverty reduction”, an uneasy hybridization that has shown mixed results so far.

Why We Must Reclaim Economic Equality as Our Goal—and How

Fast forward to 2017. The 1980s surge of pro-corporate conservatism suffered repeated reversals, none greater than the Great Recession that began unfolding in 2008, which has left in its wake nearly a decade of slowed global growth. At the heart of neo-populism’s rise, and of growing discontent—across the political spectrum—has been an increasing disillusionment with GDP-measured “economic growth” that policy makers and academics have decreed to be the apogee of modern life, because so many have been excluded from that growth. But populism’s essential reactionary conservatism resides in its blaming foreign workers and progressive cultural elites for this situation—rather than understanding how global market forces have done far more to create this intolerable reality. Globalization has unquestionably had an impact on the global distribution of income—in ways well understood by now. What has been lacking is not diagnosis but solutions—solutions that Socialist International can provide.

What is needed?

The first essential is to recognize that nations generate not just national but international growth through trade and investment abroad, by the import and export of goods and services, and by its citizens and firms working outside its borders.

The challenge now is to promote growth that is both deep and broad—that is, growth that produces stable, long-term output, jobs that are also stable, well-paid, and long-term, and profits that reward

owners and investors and also provide fiscal flows to governments so they can carry out their essential public welfare functions.

In the 21st century's globalizing world, that deep and broad growth also requires coordination and cooperation across borders around a core set of principles that in turn will work to sustain and enlarge global growth in a "virtuous circle".

What sorts of principles?

First, our commitment to radically and systematically reducing racial, ethnic, and gender biases. As well as being important moral and political goals, reducing these forms of discrimination will simultaneously promote economic equality and economic growth.

Second, our determination to democratize and publicize evidence-based measures of institutional performance and outcomes on the national, regional, and local levels. As the internet spreads worldwide, democratic governments should encourage NGOs and citizens to use public data to constantly assess the performance of public and private institutions across a broad range of metrics.ⁱ

Third, our determined focus for the rest of the 21st century on insuring accurate and timely reporting of income and wealth as the elementary essential gauge of national economic performance.

Virtually all 200 nations today publish regular reports of their GDP---but fewer than half systematically collect and report on the distribution of that GDP as the wealth and income of its citizens (and fewer than a quarter prepare generally accurate reports). We call on all nations to regularly collect and publish, along with GDP data, Gini and Atkinson measures of inequality.ⁱⁱ

There is a **fourth** related set of principles: our clear understanding that economic inequality isn't just an "economic issue".

Income and wealth inequalities corrode the chances for a just society, by systematically lowering students' educational performance, raising crime rates, multiplying distrust of governments and fellow citizens, allowing pollution, ignoring illness, fostering obesity, amplifying violence against women and children, and blocking upward mobility. Studies like The Spirit Level contain an array of examples that should be reframed as DSIs---Domestic Social Indicators---that, analogous to GDP in economics, become a nation's annual indices of well-being performance.ⁱⁱⁱ

Fifth, we commit ourselves and our governments to increasing both the information and regulation of income and wealth flows across borders. As global financialization has accelerated, it has created systemic challenges for modern democracies, not least through the vast "offshoring" of individual and corporate wealth and income beyond the reach of governments. Some experts now estimate that offshore wealth alone exceeds \$25 TRILLION—more than the combined GDP of three-quarters of the nations of the world. Offshored income figures are no less astonishing.

Solutions here are multipronged, and call for:

1) standardization of income and wealth surveys nationally, with special attention to accurate reporting of top level groups ("the 1%" who control nearly half the world's private financial wealth);

2) strictly-enforced transparency requirements for all "shell" corporations and trusts, and a policy prohibition toward "tax havens";

- 3) strong monitoring and controls over cross-national financial transfers, including much stricter auditing of transfer pricing by multinational firms;
- 4) strong reporting requirements for banks of all significant international financial transfers;
- 5) regular intergovernmental exchanges of these crucial data;
- 6) much stronger regulation and enforcement of illegal cross-border financial transfers.

There are more, and more detailed, recommendations we at Socialist International intend to advance going forward—but these are preliminary essentials, both in terms of principles and in terms of policies and mechanisms meant to realize those principles.

The world is moving swiftly toward authentic globalization, in which citizens of nations around the world will come to know the lives and values by which others live. One clear benefit of that process is the steady globalization of rights, including equality as a core essential right, as the number of democracies grows steadily.

But the equally clear danger of globalization is that it will worsen inequalities of all kinds, not lessen them—and in the process will nurture the fundamentally authoritarian politics we see emerging in neo-populist parties and governments around the world.

Equality for us is thus not a lofty value or abstract right—but a compelling organizing principle for our work politically in the decades ahead. Re-centering our politics around that principle by recognizing that as socialist parties we can no longer simply promote economic growth and assume that such growth will “solve” issues of inequality.

We live in an anomalous time, when some of the most rapid economic growth is happening in some of the world’s most authoritarian—and kleptocratic—countries. Our duty—our opportunity—is to expand what we have, through our democratic socialist parties and values, actually built: the modern foundations for a democratic and egalitarian world.

We intend to keep building that world.

ⁱ See the US News/McKinsey “Best States” evaluation of American states as just one example: https://www.usnews.com/news/best-states?utm_source=All%20Poynter%20Subscribers&utm_campaign=222b0f6b27-EMAIL_CAMPAIGN_2017_02_28&utm_medium=email&utm_term=0_5372046825-222b0f6b27-257888257

ⁱⁱ The IMF’s “Causes and Consequences of Income Inequality: A Global Perspective” provides an invaluable technical introduction to these issues.

ⁱⁱⁱ For a detailed review of The Spirit Level and systemic models for implementing its recommendations, See The Equality Trust, <https://www.equalitytrust.org.uk/resources/the-spirit-level>