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“Economic Inequality: Crises, Conflicts and Threats for Peace”

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Thematic Issue “Economic Inequality: Crises, Conflicts and Threats for Peace”

Pompeo Della Posta*

Over the past decades, and especially over the years following the fall of communism, the issue of inequality in the distribution of income and wealth has been ignored by economists and by social scientists in general, in spite of its rise both in developing and in developed countries. Even the United Nation’s Millennium Development Goals ignored this issue, which is addressed instead in the current Sustainable Development Goals.

This attitude resulted from the idea that a larger economic equality would reduce the incentives for people to produce the necessary effort for improving their condition and, as a result, would impair economic efficiency. Over the last few years, however, many scholars, including Atkinson (2015), Bourguignon (2015), Bussolo et al. (2018), Deaton (2015), Milanovic (2016), Piketty (2014) and Stiglitz (2012), among many others, and international institutions, like the OECD (2017) and the IMF (2015), together with some NGOs like OXFAM (2016), have been devoting their specific attention to economic inequality (although, to be fair, it needs to be acknowledged that some of those authors and institutions had already been dealing with this issue for a long time).

The reasons for this renewed attention have to be found in the negative effects of the increased economic inequality and in the consequences that this trend may produce even more dramatically in the future, in terms of open conflicts, threats to peace and crises of different nature (economics, financial, social, including the migratory one).

As a matter of fact, besides ethical reasons, economic inequality, both across and within countries, reduces social capital, weakens the citizens’ attitude towards social participation and inclusion, risks to increase poverty and in the end reduces the economic growth potential of the countries that would be mostly in need of it. Moreover, a higher economic inequality induces the

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accumulation of private debt that may produce quite negative effects, as the recent global financial crisis has clearly shown.

The increase in economic inequality has many different causes. Yet, most of them seem to be related to the effects on less skilled workers and on the low-income segments of the population: the process of real and financial globalization (that moves manual labor from one side to the other of the world, and increases the weight of rents), technological progress (that increases the role of machines and capital with respect to labor in the production process), but also the reduction, if not the abandonment, of redistributive income policies and of the protection of workers.

Several solutions have been proposed so far to reduce income inequality, including a global tax on capital movements or a (low) global tax on wealth, combined with a return to the progressivity of income taxation; a tax on the use of machines (and robots) replacing human work; an increase of women's participation in the labor market (at the condition of not being discriminated with respect to male workers); a reduction of precarious labor and an increase in the investment in human capital and in the qualification of workers.

Economic inequality might have also economic and non-economic effects on conflicts, peace and social relations in general. Just to provide a few examples, inequality might affect economic growth, social mobility, internal and global migrations, social services, corruption, the respect of the environment, the functioning of democracy and determine financial and economic crises. Needless to say, this will encourage – and in fact it is already encouraging – both the raising of protests at different levels and the formation of social movements proposing radical changes in the economic model.

Against this background, *Scienza e Pace/Science and Peace* has devoted a Thematic Issue to economic inequality and to its effects on conflicts, peace, crises of different nature and social relations in general. In order to do so, in 2017 the Journal invited economists, jurists, political and social scientists to take part in a one-day conference devoted to the analysis of the causes, consequences and proposals to address and face this problem.

The conference took place at the Department of Economics of the University of Pisa on December 1, 2017. The authors who had submitted their abstracts and who had been invited to participate presenting their papers were: Stefano

Bartolini (with Francesco Sarracino, Marcin Piekalkiewicz): Envy alone: Social poverty as an engine of social comparisons and unhappiness; Indra de Soysa: Social Exclusion and Civil Violence; Roberto Burlando: Economic inequality and the economic and cultural divides of our time; Maurizio Franzini: Economic inequality and social immobility: a vicious circle? Habibul Haque Khondker: Existential Inequality and Women's Empowerment in Selected Muslim Majority Countries: A Comparative Study; Pascal Petit: Is the systemic rise in income inequality likely to reverse and for which reasons? Michele Raitano: Intergenerational transmission mechanisms of inequalities in Italy and some international comparisons; Francesco Sarracino (via Skype): Explaining Russian exception: containing income inequality promotes life satisfaction.

The director of the Journal and editor of the Thematic Issue, Pompeo Della Posta, opened the presentations with a short introduction to the theme.

After the conference, the presenters have been invited to submit their papers to be refereed for publication in the Thematic Issue. Not all authors who took part in the conference have been able to submit for publication the paper they had presented, so that this Thematic Issue is composed by five papers, that are listed and described below and to whom the Editorial Board of *Scienza e Pace* – Science and Peace is grateful:

- Pompeo Della Posta: Economic Inequality and Conflicts: an Introduction;
- Indra de Soysa: Income Inequality, Equity and State Terror, 1976-2016;
- Pascal Petit: Is the systemic rise in income inequality likely to reverse and for which reasons?
- Michele Raitano and Maurizio Franzini: Intergenerational transmission mechanisms of inequalities in Italy and some international comparisons;
- Habibul Haque Khondker: Existential Inequality and Women's Empowerment in Selected Muslim Majority Countries: A Comparative Study.

The Thematic Issue starts with the introductory and review paper by Pompeo Della Posta: Economic inequality and conflicts: an introduction. In his paper the author provides some necessary definitions, relative to the main possible specifications and qualifications of economic inequality and to the main reasons explaining its recent increase. In the second part he deals with the relationship between economic inequality and conflicts. He divides conflicts in two broad categories: internal to countries (going from the deterioration of the quality of

democracy, the reduction of trust and social capital in general to open riots and civil wars) and external (including international terrorism and wars). He associates within countries inequality with internal conflicts and cross-country or between countries inequality with external conflicts. He acknowledges that the empirical evidence does not always confirm – in fact it does it somewhat rarely – the intuitively appealing correlation between economic inequality and (at least open) conflicts at different levels. Rather than two-sided, however, conflicts may take the form of one-sided actual or feared state repression. Alternatively, conflicts may arise in presence of lack of equality of opportunities (lack of equity), rather than in presence of inequality, a conclusion which is in line with the findings of de Soysa and Vadlamannati in this Thematic Issue.

Indra de Soysa and Krishna Chaitanya Vadlamannati in *Income Inequality, Equity and State Terror, 1976-2016*", argue that, contrary to conventional wisdom, economic inequality, determining grievance, does not necessarily produce violence. In fact, if anything, they argue that the opposite is more likely to be true, namely that violence is rather greed-determined. They also argue that one-sided conflicts – namely political repression – often replace two-sided ones, like civil war. By using several measures of inequality and equity (namely the equal access to political power and public goods – what in the literature is also defined as "equality of opportunities") they also find, that both of them play a role in predicting political repression. Equality of opportunities, however ("equity") plays a larger role than income inequality. They also distinguish between horizontal (ethnic) inequality and vertical (economic) inequality. Quite surprisingly, they also find robust evidence that in the presence of horizontal inequality strong democracies induce a higher repression than in the case of weaker democracies.

In the third paper, devoted to internal conflicts, *Inequality and intergenerational mobility: a vicious circle?*, Maurizio Franzini and Michele Raitano argue that economic inequality may cause intergenerational immobility. They provide empirical evidence that inequality reduces intergenerational mobility not only by preventing an efficient formation of human capital – which would be already something going beyond the individual control of people, and as such it would not be acceptable because it violates the principle of equality of opportunities – but also through the effects of the family background and of family networks. They also argue that, in turn, intergenerational immobility reinforces economic inequality, thereby producing a vicious circle.

In his paper, *Is the systemic rise in income inequality likely to reverse and if so for which reasons?*, Pascal Petit provides a general overview of the issue of economic inequality, including a thorough description of the process leading to it. He observes how in the literature the big increase in income inequality within many developed economies since the mid-1970s has been associated with economic and financial globalization, on one hand reducing the wages of unskilled workers and increasing those of managers, and on the other hand favoring mergers and acquisitions. In turn, the debt burden implied by the latter created the conditions for the outbreak of the recent financial crisis. He also suggests a quite novel and interesting association between economic inequality and environmental issues: in his view a solution of the former problem - based on the adoption of a more balance development model - would also create the right premises for addressing and solving the problems associated with environmental long term instability.

Finally, in his paper *Existential Inequality and Women's Empowerment in Selected Muslim- Majority Countries: Preliminary Considerations*, Habibul Haque Khondker addresses a different kind of inequality with respect with those considered in the previous papers. He surveys the situation and the recent empowerment of Muslim women leading to a reduction of their gender inequality in Muslim countries. In doing so, he adopts Goran Therborn's concept of existential inequality, which is defined as the "unequal autonomy, dignity, degrees of freedom, and of rights to respect and self-development" and complements it with the capabilities approach of Amartya Sen and the abstract specifications provided by Martha Nussbaum. He shows how women's existential inequality differs among a group of Muslim majority countries. His analysis of the issue of women's existential inequality gives an important contribution to the theme of inequality and conflicts, while encouraging an open debate on it and promoting research on the subject of gender inequality and gender justice in Muslim majority countries.

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