

Forum: Human Rights Committee

Issue: Curtailing the consequences of unequal income distribution in MEDCs

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Introduction

The growing income gap has become increasingly important in recent years. The gap between rich and poor in advanced economies has widened significantly, reaching levels not seen in many years. This trend has affected various groups of people in numerous ways, and its consequences are far-reaching. One of the most striking aspects of the income disparity is how much it has widened in recent decades. Since 1990, income inequality has increased in most developed and some middle-income countries, according to the United Nations. This means that the rich have gotten richer while the poor have gotten poorer, widening the gap between them. This trend is especially visible in the United States, where the income gap has been steadily increasing since the 1970s.

The growing income disparity affects certain groups of people more than others. Typically, the wealthy have profited from the greatest benefits from this pattern. This is because they have the most resources and opportunities, and they can use their wealth to create even more wealth. The poor and middle classes, on the other hand, have seen little to no growth in their incomes, and in some cases, their incomes have even decreased. Income inequality is a major issue because it affects the entire society. When the income gap is too wide, it can lead to social and political unrest as people become disappointed with their economic situation and believe the system is working against them. Furthermore, when the wealthy experience an unfair advantage, it can result in a concentration of power and influence that undermines equality. In terms of economic growth, it has been discovered that a more equitable distribution of income benefits overall prosperity. According to IMF research, when the income share of the bottom 20% of earners rises, GDP growth rises as well. On the other hand, as the income share of the top 20% of earners rises, GDP begins to decline over time. This is due to the fact that the poor and middle classes are the ones who drive economic growth by spending money on goods and services and contributing to the economy.

The income gap is a human rights issue, not just an economic or political one. Everyone, regardless of their income level, has the right to a decent standard of living. When the income gap is too wide, some people may be overlooked for this basic right. This is especially true in LEDCs, where poverty and inequality are severe, but it also applies in MEDCs, where income disparities can lead to other forms of deprivation and disadvantages. To address this issue, policymakers must work to build more equitable and just societies in which all people can achieve their full potential.

Definition of Key Terms

MEDC: Developed or industrialized countries that have greater economies than other nations. (MIT)

LEDC: Low-income nations known that struggle with significant structural barriers to sustainable growth. LEDCs are extremely vulnerable to both economic and environmental disruptions. They have a relatively low GDP and a low average standard of living. (MIT)

Household Income: The amount of money available to a household during a given year. It consists of earnings, income from self-employment, and capital gains, as well as cash transfers from the government after the deduction of household income taxes and contributions to social security. (OECD)

Gross Domestic Product (GDP): The standard measurement of the value added generated through the manufacturing of goods and services in a nation over a specific time period. (OECD)

Gini Coefficient: A statistical measure that ranges from 0, which represents a case of perfect equality, to 1, which means the case of perfect inequality, is based on “comparing the cumulative proportions of the population to the cumulative proportions of income they receive”. (OECD)

General Overview

Poverty

The gap between the rich and the poor may widen as a result of unequal income distribution. Inequality caused by the distribution of income might possibly exacerbate poverty. Certain population groups, such as blue-collar workers and employees of the service sector, may experience higher rates of poverty as a result of unequal income distribution. Poverty in a country may lead to higher crime rates, deteriorating healthcare systems, under-resourced education facilities, and restricted access to employment opportunities.

Political Instability

Political unrest and social unrest can result from unequal income distribution because people are more likely to protest or rebel against a government they feel is unfair or unresponsive to their needs. As a result, there might be more polarization, a decline in faith in establishments, and a rise in radical movements. Political unrest can hinder trade and business, which can result in underemployment and slower economic growth. It can also lead to inflation and currency fluctuations, making it more challenging for civilians to afford necessities like food and shelter. Such a situation may trigger riots, protests, and other types of civil unrest. An environment like this can cause both physical harm to people and property damage. An unstable political environment will possibly reduce a nation's appeal to foreign investors, which could be detrimental to the nation's economy. International relations of a country can suffer from political unrest since other nations will likely be less eager to conduct trade or diplomatic relations with a country that is experiencing political instability. Economists view political instability as a serious condition that harms economic performance. Such a condition might result in more frequent policy changes, which would increase uncertainty in the decision-making processes of the country and harm macroeconomic performance.

Economic Growth

Uneven income distribution can lead to a decline in consumer spending, consequently slowing down economic growth. This may result in a decline in social welfare and education spending. The investments made in infrastructure systems might be hindered. Economic growth is the gradual rise in the value of the goods and services produced by an economy, and a government's investment level will rise alongside the nation's economic expansion.

Social Mobility

When income is unequally distributed, it may be more difficult for people from lower socioeconomic backgrounds to advance economically, which can lead to intergenerational poverty and fewer opportunities for those who weren't fortunate enough to be born into wealthy families. Social mobility is crucial because it gives people and families the chance to climb up the economic ladder and access more opportunities in achieving success. Possible results are a more productive economy as well as a society that is more just and equitable. Social mobility can also foster social cohesion and stability while assisting in the reduction of poverty and inequality.

Social Capital

The institutions, connections, and standards that influence the quantity and quality of social interactions within a society are referred to as social capital. Evidence demonstrates the importance of social cohesion for sustainable development and economic prosperity in societies. The glue that holds a society together is social capital, which is more than just the total of the institutions that support it (World Bank). Reduced trust

and cooperation among society's participants as a result of the unequal income distribution can make it more difficult to address social issues like high crime rates and rising environmental pollution.

Major Parties Involved and Their Views

Türkiye

In recent decades, income inequality in Türkiye has greatly risen. The World Bank's data indicates that Türkiye's Gini coefficient has substantially increased. This suggests that in comparison to other countries of the OECD, income inequality in Türkiye is comparatively higher. In Türkiye, the wealthiest 1% of the population owns nearly 15% of the nation's wealth, with the top 20% of households earning nearly 9 times more than the bottom 20%.

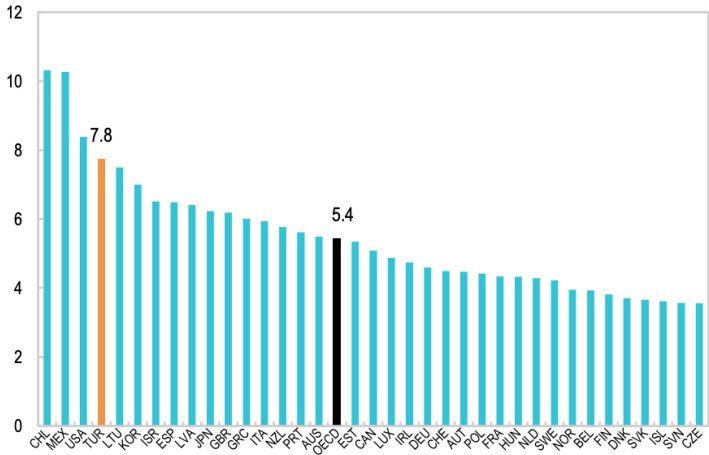


Figure 1: Household incomes of the top 20% in Türkiye relative to the bottom 20%

The disparity in income between urban and rural areas is still very large, and the effectiveness of government policies targeting income inequality is greatly debated across the nation. Implementations such as increasing the minimum wage and providing social support to low-income families haven't significantly ameliorated the problems caused by the unequal distribution of income in the country.

Bulgaria

In comparison to almost all OECD nations and the EU, Bulgaria has higher income inequality as measured by the Gini coefficient. The income of the top 20% of the population was 8.1 times higher than the income of the bottom 20% in 2018, which is substantially above the OECD average of 5.4 (Economic Assessment of

Bulgaria 2021). For the welfare of the citizens and the satisfaction of the youth of the nation, the continued increase in inequality is concerning. The Gini coefficient has risen by nearly eight points over the last ten years, while inequality in OECD and neighboring countries has slightly decreased.

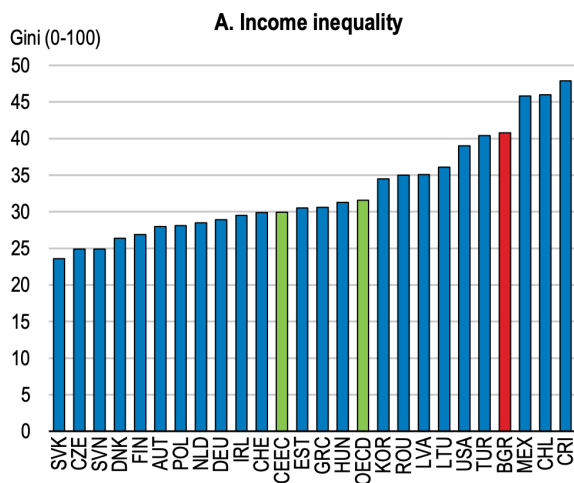


Figure 2: Income inequality in Bulgaria

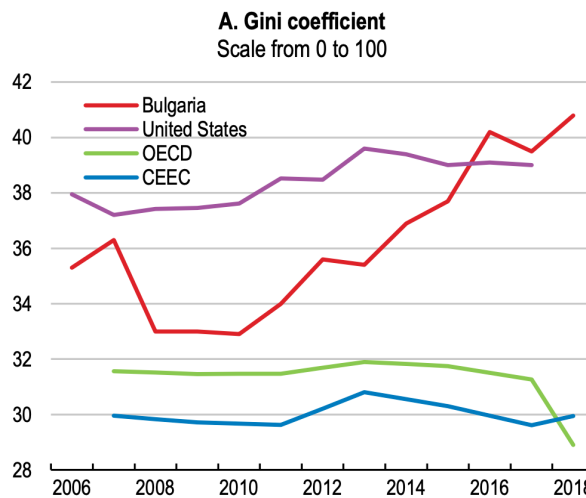


Figure 3: The increase of the Gini coefficient in Bulgaria

The United States of America

In comparison to other OECD nations, the United States of America has a high level of income inequality. Higher levels of income inequality are linked to lower levels of social mobility and to less equality of employment opportunities.

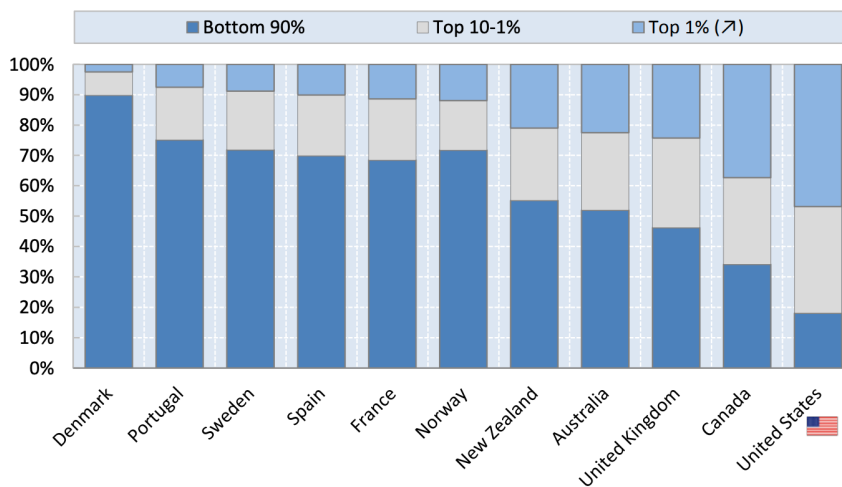


Figure 4: Share of total income growth in the US captured by income groups, 1976-2007

Closing the widening wealth disparity has taken center stage in policy discussions in the US over the past decades. Most of the money is now owned by only the top 1% of Americans.

Lithuania

Although wealth inequality is relatively low due to a high homeownership rate in the country, income inequality, and poverty rates are among the highest in the OECD. The proportion of poor households has increased despite some recent reforms that created the benefits system, particularly for families. The benefits system is a collection of government programs and policies designed to help individuals and families who are experiencing financial difficulties. Unemployment benefits, food assistance, housing support, and healthcare subsidies are examples of such programs. Recent reforms have made the benefits system more efficient, simplified the process, and increased the benefits. Furthermore, taxation has become more progressive, which means that people with higher incomes pay a higher proportion of their income in taxes than people with lower incomes. The most vulnerable of the population — the elderly, disabled, less educated, and unemployed—have poverty rates that are significantly higher than those of the general population. Despite the country's small size, regional differences in income, productivity, and unemployment are among the greatest in the OECD and are only getting worse.

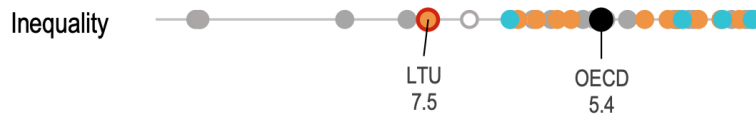


Figure 5: The ratio of the household income of the top 20% to the household income of the bottom 20% in Lithuania

United Kingdom

In the UK, the top 10% of earners make an average income that is almost ten times greater than that of the bottom 10%. From 6.7% in 1981 to 12.9% in 2011, the share of the highest-earning 1% of earners increased. Over the past three decades, the United Kingdom's overall population has experienced income inequality that is significantly higher than the OECD average.

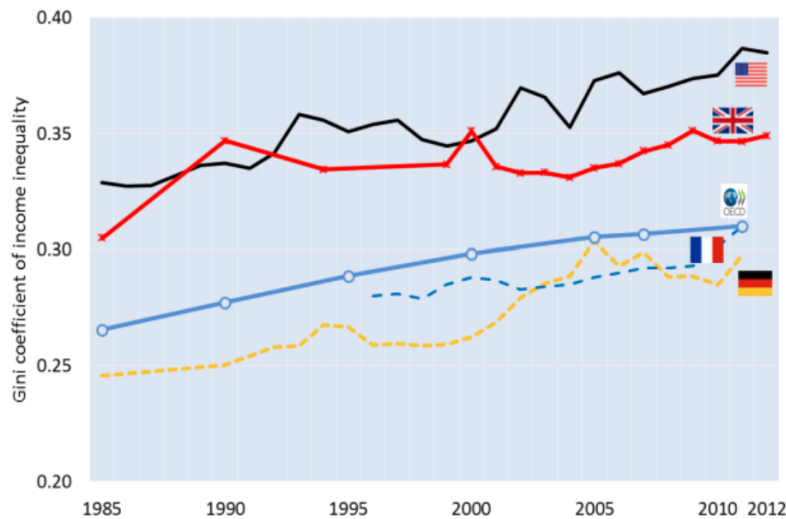


Figure 6: Gini coefficients of MEDCs over the years

The percentage of people who believe it is the responsibility of the government to reduce income differences reflects the fact that in spite of the high level of income inequality and relatively low level of redistribution that is currently happening, public demand in the United Kingdom for policy reforms aiming to reduce economic disparities is lower than in most other OECD countries. The disparity in income distribution in the United Kingdom is a result of a variety of factors. The lack of affordable housing, the insufficient social security system, the low salaries, the restricted availability of job training, and the high levels of debt are a few examples.

Latvia

Poverty and income inequality are widespread in Latvia. Inequalities brought on by market incomes are only partially reduced by the tax and redistribution system. Long-term unemployment and insufficient social protection are the main causes of poverty among people of working age. Equality of opportunity is currently hindered by high tax wedges on low-income earners, which encourages informal employment and underreporting of wages to tax authorities. Although it is too soon to evaluate its overall redistributive impact, the recent tax reform, which is set to take effect in 2018–20, tackles the problem by reducing the tax burden. The elderly are particularly vulnerable to poverty, because of the current pension system.

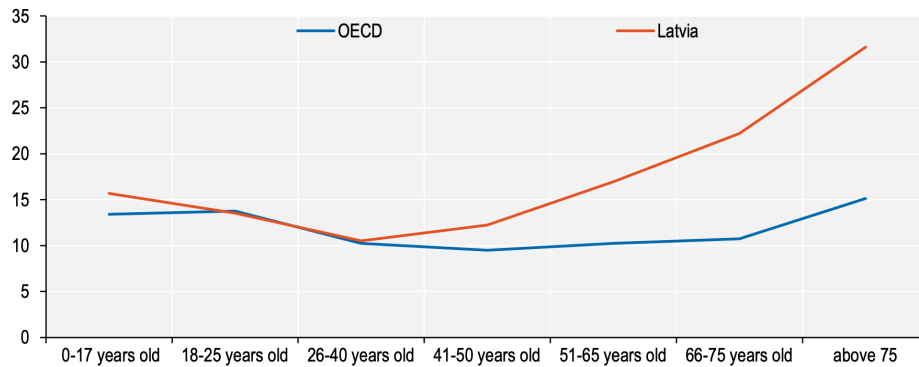


Figure 7: Relative poverty rate by age group in Latvia

In comparison to other OECD nations, Latvia has a high level of income inequality. In 2020, the Gini coefficient, which ranges from 0 (most equal) to 1 (most unequal), was 0.35. The average income of the top 20% of earners in Latvia is estimated to be 6.4 times greater than that of the bottom 20%. The extremely small size of the middle class is one particular factor contributing to Latvia's high level of inequality in income distribution.

Timeline of Events

2008	As a result of the global financial crisis, many people began to question the fairness of a system that allows banks and corporations to receive financial support while ordinary people suffer.
2015	World leaders adopt 17 Sustainable Development Goals (SDGs) to end poverty, protect the planet and ensure prosperity for all. Goal 10: Reduce inequality within and among countries
2020-2021	The COVID-19 pandemic highlighted the impact of income inequality, as the virus's economic and health effects disproportionately impacted low-income

	workers and marginalized communities.
2021	Many MEDCs began implementing policies, such as tax reforms and social programs, to combat income inequality and redistribute wealth to those in greatest need.

UN Involvement

Goal 10 of the United Nations' Sustainable Development Goals (SDGs), which were adopted in 2015, focuses on reducing income inequality both within and between countries. This goal recognizes that income inequality is a significant barrier to achieving sustainable development and that it must be addressed immediately. The UN has implemented several initiatives to achieve this goal and promote more equitable income distribution. One such initiative is the International Labour Organization (ILO), which works to improve working conditions and educate workers about their rights. The International Labor Organization (ILO) is a UN specialized agency that brings together governments, employers, and workers from all over the world to promote social justice and equal opportunities. The ILO's efforts include promoting job opportunities, improving social protection, and ensuring basic worker rights. Another initiative that works to combat poverty and advance sustainable development is the United Nations Development Programme (UNDP). The United Nations Development Programme focuses on assisting developing countries in achieving their development goals and targets, including the ones related to income inequality. The United Nations Development Programme collaborates with governments, civil society organizations, and other stakeholders to develop and implement programs that promote inclusive economic growth and reduce poverty. In addition to these initiatives, the United Nations Conference on Trade and Development (UNCTAD) conducts research and makes policy recommendations on economic inequality and development issues. The research and analysis conducted by UNCTAD focus on how trade, investment, and technology affect income distribution and poverty reduction. UNCTAD also provides countries with technical assistance to assist them in implementing policies that promote more equitable development.

Relevant UN Documents

United Nations Department of Economic and Social Affairs - World Economic Situation and Prospects 2023: The report provides a detailed analysis of the global economic outlook for 2023 and beyond, as well as an

assessment of key economic trends and challenges threatening countries around the globe. It also makes policy recommendations to promote long-term development. Concerning income inequality in MEDCs, the report notes that, while these countries have made some progress in reducing income inequality over the last decade, the COVID-19 pandemic has exacerbated existing inequalities, particularly among marginalized groups. The report emphasizes the importance of targeted income inequality policies, such as progressive taxation, social protection measures, and investments in education, healthcare, and infrastructure. It highlights the significance of coordinated global action to support long-term and inclusive development, particularly in light of the ongoing pandemic and its economic consequences.

International Labour Organization World Employment and Social Outlook Trends 2023: This report provides an updated analysis of the labor market and its impact on income inequality, as well as an evaluation of policy responses to these challenges. The importance of inclusive and sustainable economic recovery policies that prioritize the needs of workers and their families is emphasized in the report, which includes measures to strengthen social protection systems, improve working conditions, and promote greater wage equality.

Report of the Special Rapporteur on extreme poverty and human rights, Philip Alston: The "Report of the Special Rapporteur on Extreme Poverty and Human Rights, Philip Alston" is a comprehensive report that provides a global analysis of poverty and inequality as well as recommendations for addressing these issues in various contexts. The report is based on extensive research and consultation, and it includes case studies from the United States, the United Kingdom, and Spain. The report emphasizes the prevalent and long-lasting nature of poverty and inequality, as well as the numerous and interconnected factors that contribute to these challenges, such as discrimination, insufficient social protection, and limited access to basic services such as healthcare and education. The report emphasizes the importance of comprehensive and integrated policy responses to poverty and inequality, in addition to a greater emphasis on the voices and experiences of poor people. Furthermore, the report calls for increased accountability and transparency in efforts to reduce poverty and inequality, and increased investment in social protection systems and basic services.

Treaties and Events

The Addis Ababa Action Agenda: The Addis Ababa Action Agenda is an international agreement signed by all United Nations Member States in July 2015 at the Third International Conference on Financing for Development in Addis Ababa, Ethiopia. It seeks to promote long-term development and eradicate poverty. The agreement includes commitments to increase development aid and improve tax systems.

The G20 Leaders' Declaration: The G20 Leaders' Declaration is an annual statement issued by the world's

largest economies, a group of 19 countries, and the European Union. The declaration now includes efforts to lessen inequality and encourage inclusive growth. Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, and the United States are all members of the G20. The G20 has committed to boosting investment in education and skill development, promoting financial inclusion, improving labor market policies, and combating tax evasion and avoidance. The G20 has acknowledged the importance of financial inclusion in promoting economic growth and reducing poverty and has committed to promoting financial inclusion, particularly for marginalized groups. Combating tax evasion and avoidance, which can exacerbate inequality and undermine public trust in the tax system, is one of the main goals of the platform.

The Turkish Economic Crisis: The 2018 Turkish economic crisis was primarily driven by a large current account deficit, high levels of foreign borrowing, and concerns about Turkey's political stability and central bank independence. The crisis has exacerbated Turkey's economic inequality, particularly among low- and middle-income households. During the crisis, the Turkish lira rapidly depreciated, resulting in a significant increase in inflation and a loss of purchasing power for Turkish citizens. This disproportionately impacted those who were already struggling financially, such as low-wage workers and people with significant debt. The crisis also caused an increase in unemployment and a decline in economic growth, which further exacerbated Turkey's economic inequality.

The United States Tax Protest Movement: In the United States, the tax protest movement advocates for lower taxes and less government spending, claiming that the current tax system is unfair and exacerbates economic inequality. The act promotes a more progressive tax system that redistributes wealth and ensures that everyone pays their fair share in order to address the concentration of wealth and power among a small group of individuals and corporations. Some critics, however, argue that the movement's proposals for tax cuts and reduced government spending may worsen economic inequality by cutting social services and programs that benefit low-income and marginalized communities.

Evaluation of Previous Attempts to Resolve the Issue

One of the main reasons why the problem of income inequality in MEDCs couldn't be solved in the past is the lack of political will. Many politicians are reluctant to pursue policies that could have a positive impact on income inequality, because of the potential negative effect on economic growth. While UN initiatives have made some progress toward reducing income inequality, more work remains to be done. According to the United Nations, income inequality remains widespread in many countries, and the COVID-19 pandemic has worsened the issue. Despite progress in reducing poverty, there are still significant income, wealth, and resource disparities among different groups within countries. Women, ethnic minorities, and people with disabilities, for example, face higher levels of income inequality in many cases. Overall, the United Nations'

efforts to combat income inequality have been beneficial in terms of raising awareness and promoting policies that promote more equitable development. However, much more work is required to achieve the SDGs. This will require collaboration among governments, civil society organizations, and other stakeholders in order to develop and implement effective policies and programs that promote economic growth while reducing poverty and income inequality.

Possible Solutions

Past economic policies of Member States and the current state of their economies must be taken into account while looking for possible solutions to tackle the issue. Though there is inequality in the distribution of income in many MEDCs, the circumstances in each country are different. Policies such as progressive taxation might be used to address the issue, yet it is crucial to consider the potential trade-offs and drawbacks when designing and implementing policies. Investments in education might also help with ensuring economic mobility. Global cooperation is critical in addressing income inequality in MEDCs because many of the causes of inequality are global in nature and require coordinated efforts to address. Furthermore, effective solutions such as expanding access to education and healthcare involve significant investment and international cooperation.

Notes from the Chair

Please keep in mind that the Human Rights Committee has no jurisdiction over any nation's taxation policy as you participate in debates. The committee will discuss the factors that contribute to income disparity as well as concrete solutions that can be implemented.

It is critical to recognize that each MEDC's political and social circumstances are unique, which means that not every policy can be successfully implemented in every country. Consider practical solutions that can be implemented in their respective contexts.

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