



# 26 Inequality and Social Policy

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## CHAPTER SUMMARY

This chapter has sought to explain the importance of inequality in international development and how this differs from poverty. There has been growing recognition that inequality is important in low-income countries as well as in high-income countries, and it is of increasing significance in countries that have experienced rapid economic growth. Inequality, as we have seen, can be measured. The reasons why inequality matters are complex, and may be more so than one might initially think. The types and levels of inequality matter, and norms of fairness and equality differ across countries or regions, as well as change over time.

In addition, diverse policies aim to address inequalities. The chapter introduced a broad notion of social policy, emphasizing that there is no right or wrong definition, and there are political reasons for adopting one or another. The way governments tax is equally important, particularly to assess the net redistributive impact of government policy. History has shown that governments over time are able to and have developed better instruments to address inequalities. But these paths and ideologies that drive social policy are diverse. Social policy analysis needs to understand the political motivations and constituencies, and the different social policy approaches that emerge from this.

## VIDEO RESOURCES

New insights on poverty, Hans Rosling  
<https://www.youtube.com/watch?v=YpKbO6O3O3M>  
Time 20:54

Researcher Hans Rosling uses his cool data tools to show how countries are pulling themselves out of poverty. He demos Dollar Street, comparing households of varying income levels worldwide. Then he does something really amazing.

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**Gary Haugen: The hidden reason for poverty the world needs to address now**

[https://www.youtube.com/watch?v=ofsncCF9O\\_U](https://www.youtube.com/watch?v=ofsncCF9O_U)

**Time 22:06**

Collective compassion has meant an overall decrease in global poverty since the 1980s, says civil rights lawyer Gary Haugen. Yet for all the world's aid money, there is a pervasive hidden problem keeping poverty alive. Haugen reveals the dark underlying cause we must recognize and act on now.

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**Chrystia Freeland: The rise of the new global super-rich**

<https://www.youtube.com/watch?v=d6NKdnZvdoo>

**Time 15:24**

Technology is advancing in leaps and bounds—and so is economic inequality, says writer Chrystia Freeland. In an impassioned talk, she charts the rise of a new class of plutocrats (those who are extremely powerful because they are extremely wealthy), and suggests that globalization and new technology are actually fuelling, rather than closing, the global income gap. Freeland lays out three problems with plutocracy . . . and one glimmer of hope.

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**Robert Putnam on Inequality and Opportunity**

[https://www.youtube.com/watch?v=ACve-N\\_6KJc](https://www.youtube.com/watch?v=ACve-N_6KJc)

**Time 6:56**

Robert Putnam explores the cultural and economic factors that are contributing to the persistence of inequality, and asks: what can be done to address the widening “opportunity gap.” In this excerpt from the event “Closing the Opportunity Gap,” distinguished political scientist, Professor Robert Putnam shares the key insights from this work, explores the cultural and economic factors that are contributing to the persistence of inequality, and considers what practically can be done to address the widening “opportunity gap.”

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**How economic inequality harms societies**

<https://www.youtube.com/watch?v=cZ7LzE3u7Bw>

**Time 16:54**

We feel instinctively that societies with huge income gaps are somehow going wrong. Richard Wilkinson charts the hard data on economic inequality, and shows what gets worse when rich and poor are too far apart: real effects on health, lifespan, even such basic values as trust.

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**The Costs of Inequality: Joseph Stiglitz**

<https://www.youtube.com/watch?v=GYHT4zJsCdo>

**Time 16:11**

Joseph Stiglitz is University Professor at Columbia University, the winner of the 2001 Nobel Memorial Prize in Economics, and a lead author of the 1995 IPCC report, which shared the 2007 Nobel Peace Prize. He is also the co-chair of Columbia's Committee on Global Thought. He was chairman of the Council of Economic Advisers under President Clinton and chief economist and senior vice president of the World Bank from 1997-2000. Stiglitz received the John Bates Clark Medal, awarded to the American economist under 40 who has made the most significant contribution in the field. He is the author most recently of *The Price of Inequality*. In 2011, *Time* named him one of the world's 100 most influential people.

## REVIEW QUESTIONS

1. What are the weaknesses of inequality in opportunity?
2. How do inequality measures compare to poverty measures? Explain briefly, but clearly.
3. Explain what social policy is about.
4. What are the different elements and factors engaging in determination of the social policy?
5. What does it mean that economic crises often prompt or create political opportunities for new social policies?
6. Who implements the social policy? Explain it briefly.
7. Discuss in brief the relationship between democracy and social policy.

## ANSWER KEY: REVIEW QUESTIONS

1. Inequality in opportunity—deemed unfair—can relate to two things: differences in social treatment or discrimination, often related to gender, race, or ethnic group; and differences in conditions in family background and resources (social class). In a “meritocratic” view, inequality of outcome due to different efforts is deemed fair (or at least not necessarily unfair), and inequality due to different opportunities is not. For example, different performances in education (outcome) are not necessarily unfair, but certain groups being unable to go to school (opportunity) is. Measurement of inequality of opportunity is more complex than measuring inequality of outcomes. Most of the existing research has focused on assessing whether inequality in outcomes is due to discrimination against certain individuals or groups (p. 504)
2. While the two are not unrelated, it is not necessarily the case that more unequal countries have more poor people. This depends on two issues. First, how high or low the poverty line is set relative to the average income: in the imaginary perfectly equal country it is possible that all people live below the poverty line, if that line was above the average income. In reality, some low-income countries—like China in 1978—have low inequality and high poverty rates. Second, income inequality can change without a change in poverty rates: if income shifts from the top decile to the somewhat-less-rich, income inequality improves without a change in poverty rates. Or income inequality can worsen while poverty goes down, as has been the case in China, which harbours the big success story of poverty reduction since the early 1980s. China’s poverty rate declined from 84 per cent of the population in 1980 to 16 per cent in 2005. Poverty reduction was directly related to the very high rates of economic growth, on average 8 per cent per year during that period. But inequality rose, too: from a Gini coefficient of 0.29 to 0.42 over the same period (p. 504)
3. Social policy refers to systematic and deliberate interventions in the social life of a country to ensure the satisfaction of the basic needs and the well-being of the majority of its citizens. This is seen as an expression of socially desirable goals through legislation, institutions, and administrative programs and practices . . . [and] is thus a broader concept than . . . social work and social welfare (pp. 507–508).
4. There are no generally agreed definitions of social policy. In fact, the term “social policy” is not widely recognized in the field of development studies, where a number of overlapping terms exist: “anti-poverty programs and policies”; “human development policies,” particularly related to health and education; “social protection”; and “social security.” Aina’s definition clearly distinguishes social policy from social work and social welfare, which are generally regarded as more “residual” or reactive programs designed for disadvantaged groups, whereas his broad definition focuses on the role of the state in public provision of services to the entire population. (p. 508)
5. A few examples could clarify this statement. The New Deal in the US was a policy response to the extended economic crisis of the Great Depression and the visible deprivation of large groups of people. In a series of both successful and failed steps, this radically changed the role of the US federal state. The UK welfare state, including its national health system was designed during WWII. In East Asia, the 1997 financial crisis led to an expansion of what had been very limited social policies. Similarly, social policies often emerge from emergency relief, with temporary institutions becoming permanent, such as some of the major NGOs in Bangladesh (pp. 509–510).
6. In many countries private spending on health care is the main player. Private spending, provision, and insurance are not usually considered “social” policy, but in practice these are part of the overall provisioning of services and hence should be part of an overall analysis of social policy. In systems of universal care, services are provided by public institutions. Service providers are usually employees in government service, and government authorities decide what services

will be available. In federally organized countries, states or provinces often have a key role in setting these social policies. This can lead to complex and overlapping responsibilities, as is the case in India where Centrally Sponsored Schemes implement health and education policies, sometimes bypassing the states that should have primary responsibility for those functions. A third type of actor in provision of social services is neither public nor private, but includes various types of non-state, not-for-profit organizations.

7. The relationship between democracy and social policy is complex. Amartya Sen emphasized the importance of democracy and freedom of expression in preventing famine. Non-democratic governments have expanded social provisions, too, and at times have done so effectively. Social policy also can contribute to democratization, notably through education and the norms expressed in the curriculum. Democratic process and political coalitions play a crucial role in ensuring that public finances are well managed and that they do not excessively benefit one group over another or distort unduly. Well-functioning political systems facilitate both the growth and reform of social policies when these start to expand in directions thought to be unfair or ineffective. In this regard, democracy, in which the poor have a voice, is an essential condition for good social policy. (p. 511)