The benefits of equality and the inefficiency of inequality
Inequality has a corrosive effect on institutions. Economic elites' power over a nation's institutions tends to weaken the capacity of the State.

C. The benefits of equality and the inefficiency of inequality

The empirical evidence shows that more egalitarian societies tend to:

- Be more efficient and be able to sustain more and faster economic growth.
- Be happier.
- Be healthier and more cohesive.
- Be more environmentally resilient.
- Have more robust and more democratic institutions.

In recent years, more and more empirical studies have been published that provide scientific arguments in support of aspirations for greater equality. This evidence furnishes at least five main reasons why societies should seek to become more egalitarian. The first has to do with the relationship between inequality and economic efficiency. One of the most common arguments that people use to defend the existence of inequality is that it is necessary in order to achieve more growth. In recent years, however, researchers have gathered a growing body of evidence that refutes that line of reasoning based on Okun's equality-efficiency trade-off (1975). Quite early on, Kuttner (1987) had already shown that equality and economic growth are not mutually exclusive pursuits and that public policies on such matters as capital formation and investment, protectionism in international trade, wages and labour, taxes and the welfare State can have good or bad outcomes in terms of both efficiency and equity. The same empirical emphasis on the effects of redistribution on growth is to be seen in studies by Bénabou (2000 and 2002) and Bleaney, Gemmell and Kneller (2001), which also contend that this kind of trade-off is not inevitable.

Recent studies by the International Monetary Fund (IMF) (Berg and Ostry, 2011; Ostry, Bird and Tsangarides, 2014) have offered evidence that more egalitarian countries can sustain more and faster growth and that, except in extreme cases, the impact of redistribution on levels of inequality actually spurs growth. Finally, ECLAC (2018b) has furnished additional evidence that inequality is negatively related to productivity. ECLAC is therefore arguing that greater equality can act as a driver of economic efficiency, which will in turn support the expansion of effective demand.

A second argument has to do with the relationship between greater equality and greater happiness. Lifting people out of extreme poverty surely results in greater happiness, but additional increases in income do not necessarily equate with additional happiness. Once extreme poverty has been eliminated, investing in more egalitarian societies could constitute

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3 This argument has been championed at least since the mid-1970s in the more advanced countries during times of economic stagnation and high unemployment—conditions that were being experienced during that period, which some economists blamed on social policies and the welfare State. This view was backed up by the theory espoused by Okun (1975), who contended that there was a "big trade-off" between equality and efficiency. He reasoned that an egalitarian, universal distribution of social and political rights carried costs in terms of economic efficiency. In other words, societies could not aspire to both at the same time and would therefore have to place priority on one while sacrificing the other. The economic policy proposals that grew out of this position call for cutting investment in social policies on the grounds that they will push up the fiscal deficit and lower savings and will consequently dampen long-term growth rates. The proponents of these policies therefore assert that the best course of action is to curb government spending, cut back on redistributive policies and lower taxes, especially on the rich, because the resulting higher growth rates will benefit everyone.

4 Defined as the 25% of the countries in the sample where the degree of redistribution is very high (more than about 13 points on the Gini inequality index).
a higher policy objective. This argument is backed up by evidence that levels of happiness in different countries are more closely correlated with greater income equality than with average income levels (Wilkinson and Pickett, 2018). As indicated by one study conducted in the United States, this inverse relationship between income inequality and happiness may be accounted for by an increased perception of unfairness and a lack of trust (Oishi, Kesebir and Diener, 2011). This reaffirms the recurrent argument that increases in per capita income do not necessarily translate into greater happiness.

A third argument in favour of greater equality is supported by a growing body of evidence that more egalitarian societies tend to be healthier and more cohesive. International studies have shown that greater degrees of economic inequality are associated with a greater number of social problems, including higher rates of violence, murders and drug abuse, higher incarceration rates, higher teenage pregnancy rates, and more psychological and mental problems. More egalitarian societies tend to exhibit better health indicators and longer life expectancies (Marmot, 2015; Patel and others, 2018, Wilkinson y Pickett, 2010 and 2018).

A fourth argument stems from the growing evidence that inequality is a contributing factor in environmental deterioration, both on the part of those who damage the environment and on the part of those who are impacted by that damage, and that it impairs the ability to respond to the challenges posed by natural disasters and environmental degradation. Climate change, for example, is closely interlinked with inequality. The poorest half of the world’s population accounts for around 10% of global carbon dioxide emissions but lives in the countries that are most vulnerable to climate change. By contrast, the richest 10% of the world’s population accounts for 50% of global emissions (Gore, 2015). Evidence gathered in the most affluent countries indicates that countries where inequality is the greatest produce more garbage, tend to consume more meat, consume more water for personal use and drive more motor vehicles (Dorling, 2017). The impact of inequality within individual countries has also been measured. A study on the United States has turned up evidence that levels of inequality will rise as a result of the unequally distributed economic effects of climate change (Hsiang and others, 2017). It has also been estimated that the economic losses sustained by poor sectors of the population will be two to three times greater than the losses of the non-poor (Cecchini, Sunkel and Barrantes, 2017), both because of the vulnerability of their assets (Hallegatte and others, 2017) and because of their limited access to disaster risk management tools (Vakis, 2006).

A fifth and final argument focuses on the positive impacts on political institutions in more egalitarian societies. This line of reasoning underscores the tension that exists between economies that are organized around the market, where each person’s degree of influence depends on the size of his or her “monetary vote”, and the political system, where each person has one (electoral) vote. Inequality then fuels rent-seeking behaviour whereby the richest members of society use their power to ward off competitive market forces in order to reap higher profits. Economic inequality will therefore have a corrosive effect on political institutions (Stiglitz, 2012). A supporting argument emphasizes the weakness of the State in unequal societies, which is partly attributable to the power wielded by economic elites over State institutions. This kind of power is manifested, for example, in the continued existence of regressive tax systems with very limited redistributive potential (Blufield, 2011; Savoia, Easaw and Mckay, 2010).

5 Foodstuffs account for 25% of the planet’s total emissions. More than half of that amount is generated by animal products, and half of the livestock-generated emissions come from cattle and sheep herds. Beef consumption is a large source of emissions because of the methane that is released and the deforestation caused by the clearing of land for pasturage (Poore and Nemecek, 2018).

6 Mention should be made in this connection of the Escazú Agreement, which has been open for signature by the countries of Latin America and the Caribbean since September 2018. This is the regions first environmental treaty and the only one of its type in the world, as it contains specific provisions on environmental human rights defenders. It is also the first legal instrument to emerge from the United Nations Conference on Sustainable Development (Rio+20) and, as of the end of July 2020, had been signed by 24 countries. For further information, see [online] https://www.cepal.org/en/escazuagreement.