



# Crises of Inequality

## Shifting Power for a New Eco-Social Contract

**The world is at crossroads, confronted with violent conflict and war, environmental destruction and disasters, political and social polarization, the consequences from the Covid-19 pandemic, a new cost-of-living and energy crisis, and ever rising inequalities. The UNRISD Flagship Report, *Crises of Inequality: Shifting Power for a New Eco-Social Contract*, shows how inequalities and crisis reinforce and compound each other, leading to extreme disparity, vulnerability and unsustainability. To address inequality, break the cycle of multiple and interlocking crises, and work toward a more equal, just and sustainable future, the report proposes the creation of a new eco-social contract and a policy approach based on alternative economies, transformative social policies, reimagined multilateralism and strengthened solidarities.**

### A Global State of Fracture: Crises, Inequalities and Broken Social Contracts

The world has entered the decade of action of the 2030 Agenda for Sustainable Development facing severe crises, broken social contracts and increasing inequalities. A number of urgent challenges impede the implementation of the Sustainable Development Goals (SDGs) and undermine concerted efforts to push forward a vision for a just and sustainable world. These include the unprecedented concentration of wealth and income and disparate progress in reducing poverty; elite capture of political processes and institutions; the rise of austerity, privatization of essential services and the rolling back of the state; nationalism and right-wing extremism, as well as backlash against egalitarian and human rights discourses and movements; insecurity, conflict and increasing numbers of forcibly displaced people; evolving technology creating new divides both within and between countries; and the climate crisis and biodiversity loss threatening our very existence. The Covid-19 pandemic has exacerbated the corrosive effects of the current system and

#### Key messages of the report

- Our world is in a state of fracture, confronted with severe crises, increasing inequalities and unravelling social contracts. Now is the time to act to secure our future and co-construct a new eco-social contract that delivers for people and planet.
- Today's extreme inequalities, environmental destruction and vulnerability to crisis are not a flaw in the system, but a feature of it. Only large-scale systemic change can resolve this dire situation.
- Inequality has been a driver, amplifier and consequence of multiple and overlapping crises—economic, social, political and ecological. The result is a vicious cycle which is disrupting the basis for human life on this planet and eroding prospects for a dignified and peaceful life for all. Vulnerable and marginalized groups, who face multiple intersecting inequalities, are worst affected, falling further behind. Elites, on the other hand, can largely shield themselves from adverse impacts of crises and often even exploit crises for their own gain.
- We can create pathways toward a new eco-social contract based on a vision of justice, equality and sustainability. To do this, we need a new development model with three key pillars: alternative economic approaches that centre environmental and social justice and rebalance state–market–society–nature relations; transformative social policies based on a fair fiscal compact; and reimagined multilateralism and solidarities.
- Those in power work to preserve and perpetuate a system that benefits the few at the expense of the many. Only if we rebalance existing power structures and create new alliances can we achieve transformative change. Progressive political leaders, inclusive coalitions, active citizens and social movements need to come together to co-create a new eco-social contract for climate and social justice.

**Economic, social, environmental and political privileges accumulate at the top of the income and wealth pyramid, building the foundation of elite power that often opposes transformative change toward greater social, climate and economic justice.**

— UNRISD 2022 Flagship Report, 144

the inequality it has wrought, revealing its lack of resilience to shocks, while in the context of Russia’s ongoing war on Ukraine, energy and food prices have skyrocketed and severe geopolitical tensions have emerged. The result is a world in a state of fracture, and at its heart is inequality.

**Crisis by design**

Inequality, environmental degradation and lack of resilience associated with the current global economic system is not an unfortunate by-product, but rather built in by design. Multiple and interdependent crises, inequalities and the demise of social contracts are interlinked:

- various **economic and financial crises** that occurred in the context of neoliberal globalization were driven by inequalities and have also increased them;
- the **crisis of climate change**, biodiversity loss, pollution and unsustainable resource use that has been unfolding over two centuries, reaching dangerous tipping points, is a consequence of an unsustainable economic system spearheaded by industrialized countries, offloading costs onto poor countries and people;
- the **care crisis**, which manifests as a disproportionate amount of unpaid care work placed on women and an undervaluation of care services in the market, is driven by entrenched gender inequalities and market failures;
- **political crises**—characterized by increasing power asymmetries; a backlash against human rights, democratic principles and multilateral governance; decreasing citizen trust and eroding state legitimacy; and an unprecedented number of protests and violent conflicts—are on the rise, while marginalized groups are struggling to make their voices heard.

The Covid-19 pandemic has put a spotlight on the inherent flaws of this system in terms of both the conditions that led to it, specifically the closing in of human civilization on natural

ecosystems, which facilitates the spread of zoonotic diseases, and the outcomes it has produced, for example increased poverty and adverse impacts on nutrition, health, education and employment, as well as increased exposure to violence.

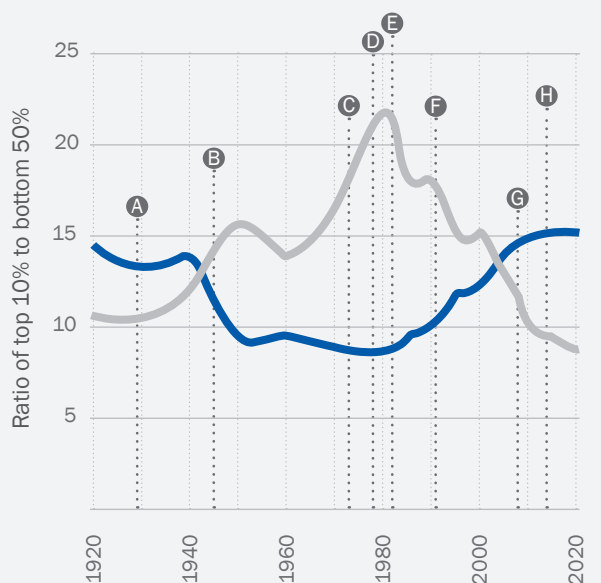
**The age of inequality: Intersecting inequalities and power**

Understanding and addressing inequalities requires an intersectional lens. Income inequality (vertical inequality) and inequality related to group identity (horizontal inequality), when intersecting, reinforce each other. Poverty often exacerbates the structural violence and discrimination already suffered by individuals who belong to one or more marginalized category, for example, women and LGBTIQ+ groups, minority racial and ethnic groups, older or young persons, persons living with disabilities, informal sector workers, rural populations, and migrants and refugees. Overlapping privilege is the other side of the coin, as the top 1 percent/0.1 percent of wealth owners and income earners accumulate disproportionate levels of resources and power, while they also tend to belong to dominant ethnic and gender categories.

**Legend**

- Within-country inequality
- Between-country inequality
- A 1929: Wall Street Crash
- B 1945: End of WWII
- C 1973: First oil price shock
- D 1978: Opening and reform of China
- E 1982: Debt crisis Latin America
- F 1991: Collapse Soviet Union
- G 2008: Global Financial Crisis
- H 2014: End of commodity super-cycle

**Figure 1. Global income inequality: Between-country vs within-country inequality (1920 to 2020)**



Source: Based on Chancel and Piketty 2021

**Economic inequalities**, which have spiraled upward during neoliberal hyperglobalization (figure 1), lie at the heart of power asymmetries and elite domination. While an overall decrease in global inequality between countries has been driven by a small number of large emerging economies, gaps in terms of income and other development indicators have expanded for many developing countries.

**Social inequalities** based on group identity are built on and reproduce hierarchies by applying discriminatory rules and practices. Marginalized groups fare less well regarding social outcomes, with intersecting forms of inequality, in particular poverty status combined with group-based discrimination, compounding vulnerability. Finally, **political inequalities** and power asymmetries drive and are driven by social and economic inequalities, as elites accumulate influence and power to preserve and perpetuate a system that benefits the few at the expense of the many, with vulnerable groups falling further behind.

### Broken social contracts

In a context of multiple crises, uncertainty, precarity and rising inequalities, citizens are increasingly concerned about their future, losing trust in governments and perceiving

that their countries are no longer ruled in the common interest (see figure 2). Actors from around the world are calling for a new social contract, from the UN Secretary-General in his “Our Common Agenda” report, to social movements, civil society groups, trade unions and the business community.

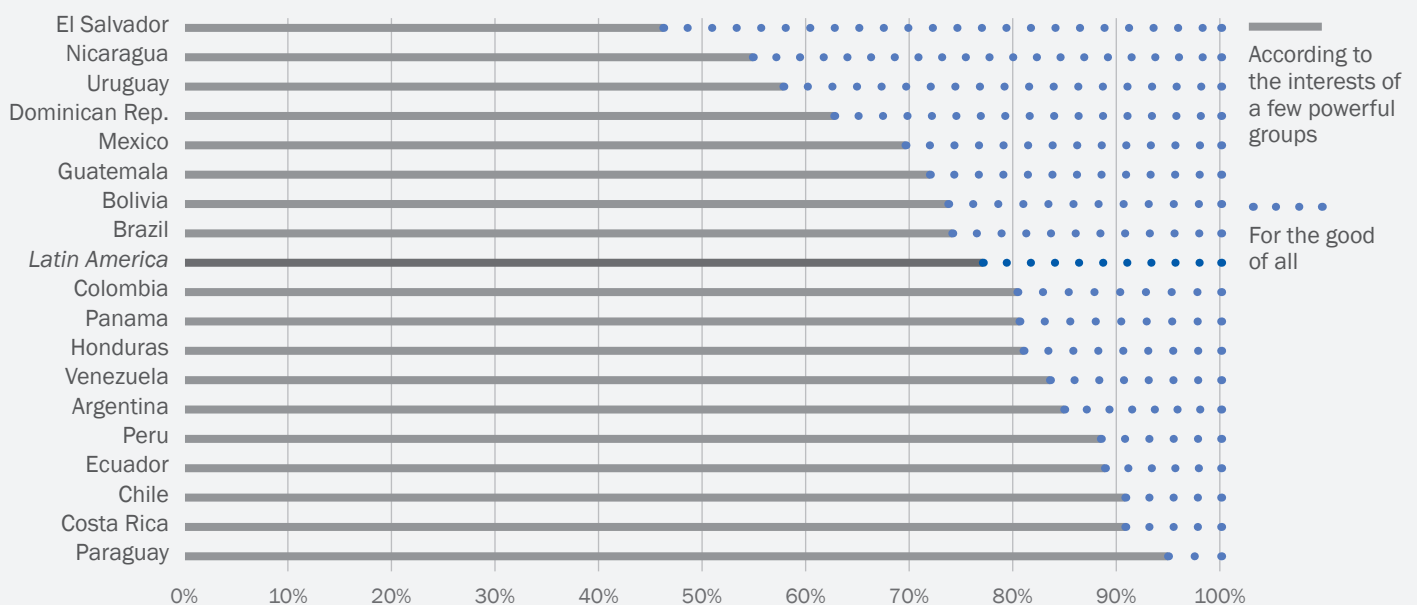
A social contract can be defined as the explicit and implicit agreements between state and citizens defining rights and obligations to ensure legitimacy, security, rule of law and social justice. Unravelling under the pressure of neoliberal globalization and failing to be fully inclusive and environmentally sustainable, the breakdown of the social contract now manifests itself through multiple crises and the deep divisions in societies.

Visions differ on what an ideal social contract should look like. A variety of normative and real-world social contracts exist, however, many of them reflect existing unequal power structures and structural inequalities at multiple levels and in varied forms, often creating de facto contracts of domination. They often do not grant broad-based, equal political participation, but rather reflect elite and market power.

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Over the past half-century, the efficient operation of the market for the pursuit of private profit has been allowed to run roughshod over any notion of the public good.”

— Mariana Mazzucato  
UNRISD 2022 Flagship Report “Spotlight”, 88

**Figure 2. Share of people who believe their countries are governed according to the interests of powerful groups, 2020**



Source: UNDP 2021. Based on 2020 data of Latinobarómetro <http://www.latinobarometro.org/lat.jsp>. Reproduced with permission.

During the age of neoliberal globalization, increasing inequalities and multiple crises have undermined social contracts in different contexts, from welfare state social contracts in the global North concerned with equalizing capital–labour relations and expanding social rights, to developmental social contracts in the global South seeking to promote nation-building, social cohesion and development. In this process, social protection benefits and public social services have been reduced or privatized, jobs have become more precarious, and social cohesion and state capacity have declined.

### A New Eco-Social Contract for a More Equal, Just and Sustainable World

Despite the challenges, positive examples exist where countries have created new and better social contracts. Countries have embarked on a variety of institutional and policy reforms, from constitutional reform processes in South Africa and Brazil related to the democratic transition after the overhaul of authoritarian military and apartheid regimes, to the integration of communitarian and ecological values associated with the *Buen Vivir* (Living Well) paradigm into national constitutions in Bolivia and Ecuador, to the expansion of social rights, for example the equality-enhancing social policy reforms implemented by progressive Latin American governments in the first decade of the 2000s. However, efforts to expand social rights to previously excluded groups are regularly scaled back when economic downturns, fiscal constraints and debt pressures lead to austerity policies and state retrenchment. In addition, reforms of the social contract have been less successful in respecting the interests of future generations and protecting the environment.

#### Toward a new eco-social contract: Actors, alliances and strategies

The state of the world makes it clear that the social contract needs a fundamental overhaul. To achieve sustainable development and justice

for all, it must become an *eco-social contract*, incorporating the ecological dimension and creating a new contract for the planet and future generations. A new eco-social contract should be instrumental in reconfiguring a range of relationships that have become sharply imbalanced—those between state and citizens, between capital and labour, between the global North and the global South, and between humans and the natural environment. It needs to rebalance hegemonic gender roles and relations rooted in patriarchy, remedy historical injustices and strengthen solidarity at community, national and global levels. New eco-social contracts can be guided by a vision that aims to make social contracts more inclusive, just and sustainable by applying seven principles (see figure 3): human rights for all; progressive fiscal contracts; transformed economies and societies; a contract for nature; historical injustices addressed; gender justice; and peace and solidarity.

#### A new development model for social, economic and environmental justice

Normative visions such as the principles for a new eco-social contract need to be translated into concrete policies and institutions to drive transformative change. In order to address the root causes of multiple crises, intersecting inequalities and unsustainability, the report proposes a new development model that is grounded in an integrated approach consisting of three pillars that are mutually reinforcing: alternative economic approaches that centre environmental and social justice and rebalance state–market–society–nature relations, transformative social policies underpinned by a fair fiscal contract, and reimagined multilateralism and strengthened solidarities.

**Alternative economic approaches** comprise for example just transition approaches to ensure vulnerable groups do not bear the brunt of the costs of transitioning to a greener world. The social and solidarity economy promotes forms of production, exchange and consumption that protect both people and the planet and

**Figure 3.** Seven principles for building a new eco-social contract



Human rights for all



Progressive fiscal contracts



Transformed economies and societies



A contract for nature



Historical injustices addressed



Gender justice



Peace and solidarity

can make economies more sustainable and inclusive. To achieve these goals, it is also imperative to rethink and retrofit the role of the state in economic development. This would involve changing relations between states and markets, better governance of global value chains, and new relationships between market actors and communities.

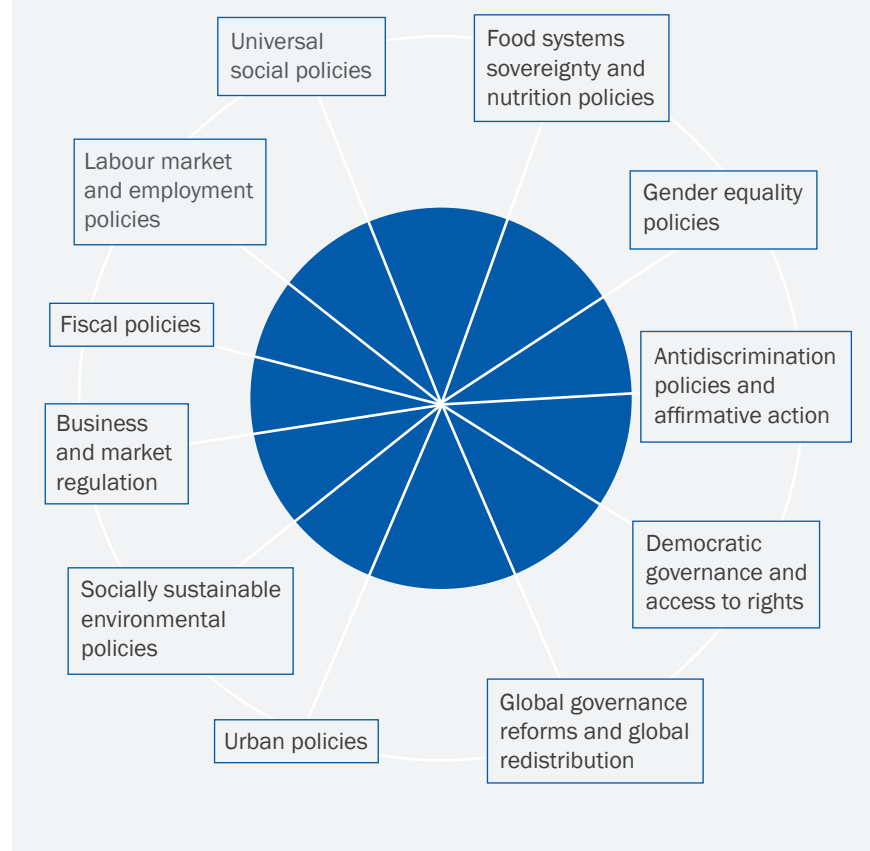
**Transformative social policy** is defined as institutionalized, long-term, universal and human rights-based approaches to social protection and the provision of universal quality public services, which empower all members of society to play a role in the development of their communities and to develop their individual potential. Transformative social policy is key to reducing inequalities and building resilience in the face of future shocks and crises. Integrated care systems and better recognition, representation and redistribution of unpaid care work and workers are essential steps toward a new gender contract grounded in justice. Social policies need to be financed through progressive and sustainable instruments, based on a fair fiscal contract, guaranteeing both the sustainability of financing and the reduction of inequalities and negative social and environmental impacts.

Regarding global governance and the future of **multilateralism**, it is proposed to strengthen rules and regulations that would re-embed the global economy into social and ecological norms, decolonize global governance and increase the weight of the global South in international relations and the global economy, empower civil society's voice and impact in multilateralism, and foster **solidarity** at all levels.

### Getting the policies right

While policy choices in the era of neoliberal hyperglobalization have been identified as drivers of increasing disparities and crises, there are a number of policies that have proven to reduce inequalities and support the achievement of the SDGs (see figure 4).

**Figure 4. Eleven policy platforms for reducing inequality**



The toolbox includes universal social policies, progressive fiscal policies, labour market and employment policies, business and market regulation, socially sustainable environmental policies, urban policies, gender equality policies, food systems sovereignty and nutrition policies, anti-discrimination policies and affirmative action, democratic governance and access to rights, and global governance reforms and global redistribution. And while the effectiveness of these policies for achieving greater equality and social inclusion has been demonstrated through research, it is important to adapt policy approaches to specific contexts and to create an enabling national and international environment for their implementation.

### Political pathways to change

While securing the political and financial support necessary to bring about such transformative change is a daunting task, UNRISD research has shown that a combination

**Social policy and a fair fiscal contract play a key role in shifting the current development model toward social and climate justice. They are at the core of a new eco-social contract, benefiting economy and society, strengthening social cohesion and trust, and providing legitimacy and credibility to governments.**

— UNRISD 2022  
Flagship Report, 291

of the following factors is conducive to transformative change:

- progressive and democratic leadership inspired by the common good and public interest;
- alliances between civil society and political actors;
- grassroots pressure from below by progressive social movements and civil society organizations;
- support by multilateral organizations and frameworks.

Learning from successful past experiences in overcoming inequality and policies and political strategies that have worked provides lessons for the future. Research, collective learning and consensus building can support the creation of new eco-social contracts that are urgently needed to make the vision of just and sustainable futures a reality.

### About UNRISD Flagship Reports

Released every five years or so, UNRISD's flagship reports are recognized for deepening development debates, shaping policies and putting critical issues squarely onto global agendas. This report draws on five years of original research, including case studies, policy reports, and background papers conducted by UNRISD staff, partners and networks across the world, grounded in analyses of foundational concepts and theories from various disciplines and supported by global data.

### References

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#### About Research and Policy Briefs

UNRISD Research and Policy Briefs aim to improve the quality of development dialogue. They situate the Institute's research within wider social development debates, synthesize its findings and draw out issues for consideration in decision-making processes. They provide this information in a concise format that should be of use to policy makers, scholars, activists, journalists and others.

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ISSN 1811-0142

#### About UNRISD

The United Nations Research Institute for Social Development (UNRISD) is an autonomous research institute within the UN system that undertakes multidisciplinary research and policy analysis on the social dimensions of contemporary development issues. Through our work, we aim to ensure that social equity, inclusion and justice are central to development thinking, policy and practice.

UNRISD gratefully acknowledges support from its institutional and project funders. See [www.unrisd.org/funding](http://www.unrisd.org/funding) for details. Our work would not be possible without their support.

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