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T20 POLICY BRIEF

Task Force 01

FIGHTING INEQUALITIES, POVERTY, AND HUNGER

Racial and Gender Inclusion through Economic Policies informed by Economic and Social Rights

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Abstract

There is a growing consensus that the neoclassical economic model, which emphasizes limited government and industrial policies, is failing to deliver economic prosperity for all. Over the last decades economic trends worldwide reveal increasing inequalities. The current realities, informed by the challenges of the Covid-19 pandemic, highlight that the public sector plays a crucial role in combatting inequalities and poverty. The root and structural causes of economic inequality within and between countries are grounded in global, regional, and national economic and political systems, wherein groups most left behind experience multiple, persistent, and intersecting forms of human rights violations, including gender and racial discrimination, and exclusions from resources to thrive. Economic growth alone, measured in Gross Domestic Product, is insufficient to enable specific communities to ‘catch up’ and experience an adequate standard of living. The realities of production and consumption patterns also contribute to power imbalances that intensify growing racial, gender, income and wealth inequalities within countries as well as inequalities between countries.

This paper explores ways in which human rights enhancing economic policies can repair/address root causes of and structural barriers to the enjoyment of human rights by groups experiencing racial discrimination from an intersectional point of view. It presents Baby Bonds as essentially a birthright to capital to be used in adulthood as a baseline to build economic security, and their potential redistributive impacts for racial, gender, and economic equity. The paper challenges traditional economic paradigms by incorporating insights from stratification economics. It makes the case for human rights enhancing economic policies, investments, and programs that contribute to racial and



gender equality as well as shared prosperity and sustainable and inclusive economies, with positive multiplier effects well beyond income on families, the private sector, nation-states, and the global economy at-large.

Keywords: Baby Bonds, economics, gender equality, human rights, inequalities, racial equality, sustainable development goals

Introduction

This paper explores ways in which human rights enhancing economic policies can repair/address root causes of, and structural barriers to, the enjoyment of human rights by groups experiencing racial discrimination from an intersectional point of view. It posits Identity-Group Stratification Economics and Feminist Economics as important theoretical underpinnings for understanding and addressing racial and gender discrimination in economic policies. It paper presents Baby Bonds as essentially a birthright to capital to be used in adulthood as a baseline to build economic security, and their potential redistributive impacts for racial, gender, and economic equity.

It makes the case for human rights enhancing economic policies, investments, and programs that contribute to racial and gender equality as well as shared prosperity and sustainable and inclusive economies, with positive multiplier effects well beyond income on families, the private sector, nation-states, and the global economy at-large.

Diagnostic of the Issue

Recognizing that, in accordance with the Universal Declaration of Human Rights, the ideal of free human beings enjoying freedom from fear and want can only be achieved if conditions are created whereby everyone may enjoy his economic, social and cultural rights, as well as his civil and political rights.

International Covenant on Economic Social and Cultural Rights

There is consensus that the current economic model is failing to deliver economic prosperity for all. Over the last decades the dominant economic thinking insisted that a restricted and small public sector is necessary to enable the private sector to thrive. However, the current realities informed by the challenges of the Covid-19 pandemic and the cost of living crisis highlight that the public sector plays a crucial role, especially in those areas that are not seen as profitable, such as health and education. In addition, consumption and production models and patterns are contributing to the climate crisis.

The root and structural causes of economic inequality within and between countries are grounded in global, regional, and national economic and political systems, wherein communities most left behind experience multiple, persistent, and intersecting forms of deprivation and exclusion, and are often historically marginalized. Asymmetric power relations influence political and economic processes and often render individuals, communities, and nation-states without economic and social rights for self-determination. Exclusion from economic participation is destabilizing, and counterproductive for fostering healthy, tranquil, sustainable, and mutually productive environments. Economic

growth alone is insufficient to enable specific communities to catch up/pull themselves up by their bootstraps. Economic inclusion and justice require a more integrated approach to human rights' enabling policies.

Pre-COVID-19 countries experienced increasing concentrations of wealth, often resulting in the disproportionate political influence of elites in economic policymaking through which they are positioned to benefit. At the same time the policy space to adopt redistributive economic and social policies, such as progressive taxation and social protection to redress and/or mitigate inequalities and poverty were severely reduced.

Inequality of opportunities and outcomes are partly influenced by the ways in which specific individuals and communities are positioned by race, gender, income, wealth, parents' education, place of birth, and sexual orientation. They also serve to justify inequalities in property rights, standards of living, access to assets, networks of influence and power, and citizenship status. Another area where the culture of privilege crystallizes in social relations is the rigidity of intergenerational social mobility (ECLAC, 2018).

Understanding economic inequality within countries from a human rights perspective requires context specific analysis that takes into consideration the economic and political histories of the country in question, including the contemporary effects of colonialism, white supremacy, and patriarchy which are often embedded in policies that facilitate racial and gender discrimination. Although many countries in the global south gained political independence in the last century, economic structures, processes, and mechanisms that enabled colonialism have left enduring effects on discrimination, inequality and poverty. Similarly, discriminatory laws and practices based on race and the economic and political effects of the enslavement of people of African descent continue to be reflected in the lived realities high income countries. The architecture of

inequality within and between states is propagated through actors, institutions, policies and practices.

The realities of increasing inequalities and poverty, the legacies of austerity and structural adjustment policies, the current realities of austerity policies (Ortiz and Cummins, 2022) and the impacts of the pandemic, including containment measures and supply chain disruptions, serve to compound and intensify poverty and inequalities. Widening fiscal deficits across countries, increasing inflationary pressures and high debt-to-GDP ratios are exacerbating deprivation and signal a scarcity of resources. This reality reinforces economic prescriptions that often result in the shrinking of national and provincial budgets for the progressive realization of economic and social rights and attainment of the sustainable development goals (SDGs).

While growing inequality is a global trend that transcends national borders, there are specificities. Currently most low- and middle-income countries allocate a significant share of their budgets to debt servicing. Debt payments take revenue away from facilitating the attainment of the SDGs and the realization of economic and social rights, leading to increased poverty and inequalities. All of this is exacerbated when nations have little monetary sovereignty and are both politically and economically dependent on foreign currency exchange and financing.

Identity Group Stratification Economics posts that intergroup inequalities are a result of processes of structure, investment, and treatment by which privileged groups maintain relative status. Inter- group inequalities are the result of strategic behaviors on the part of dominant groups “to attain and maintain relative positions in a social hierarchy” (Darity, et al, 2015). This framing highlights the links between power, racial and gender discrimination, and economic outcomes, as well as the reality that social hierarchy will

persist in the absence of public interventions. Similarly, feminist economists promote the view that economic knowledge is partial and informed by racialized and patriarchal assumptions (Beneria and Bisnath, 2001). For example, economic theories and policy discourses are often cast in gender neutral terms such as ‘producers’ and ‘consumers’. However, as feminist economists have both argued and illuminated, globalization, the market, and economic theories, policies and their applications are informed by power relations and racialized, patriarchal values and norms, and result in differential effects on the lives of women and men.

In many parts of the world, inequalities around identity groups abound. One of the world’s most defining disparities is inequality related to gender. Several measures of gender inequality show that significant differences exist in important social and economic outcomes between men and women (Stoet and Geary, 2019). In the USA, researchers have documented large disparities in, but not limited to, the economics sphere. A most profound and poignant disparity in the USA is the racial wealth gap; tracing its origins to the time that Black people were chattel property owned by a White slave plantation class (Hamilton and Logan, 2019). As of 2019, the latest year for which there is nationally representative data, the typical Black household had 12 cents for every dollar of wealth held by the typical White household (Bhutta, et al, 2020).

The existence of such differences is difficult to reconcile with the standard neoclassical economic framework which attributes disparities to the presence of differences in human capital attainment (Hamilton, 2015). Neoclassical economics further argues that ‘the market’ should, through arbitrage, discipline such bigoted behavior (Agesa, and Hamilton, 2004). The Identity Group Stratification approach shows that group-based

disparities exist and are sustained because identity itself carries material and non-material returns (Chelwa, et al, 2024).

The Southern Center for Inequality Studies at the University of the Witwatersrand has emphasized the need to anchor the debate on inequality in South Africa on wealth given its role in determining well-being. Unlike income, wealth has the capacity to generate dividends, rent and other forms of income. Wealth is less volatile than income. Wealth enables families and individuals to make investments in homes, education, businesses, and impacts overall well-being. In addition, wealth provides resilience over a lifetime—it offers the economic security to take risks and shield against financial losses. We often think of wealth as an outcome, but its true essence is functional (Hamilton, 2020). Wealthier families are better positioned to finance elite education, access capital to start a business, reside in higher amenity neighborhoods, exert political influence, purchase better counsel if confronted with an expensive legal system, and withstand financial hardship resulting from any number of emergencies, including as poignantly demonstrated with the Covid pandemic (Hamilton, et al, 2021).

Stratification economics considers initial wealth inequality important for explaining future inequality. It also stresses that initial wealth inequality is often a product of intentional and systematic dispossession of the marginalized group by privileged groups, as the examples of slavery in the USA and apartheid in South Africa illustrate. Researchers working in the tradition of identity group stratification have proposed inclusive economic rights as a policy framework that can neuter the link between identity and outcomes. Economic rights are anchored in the idea of the public provisioning of essential goods and services that enable people to live lives that are fully determined with agency.

Governments manage their economies through fiscal and monetary policies. Fiscal policies cover governments' spending, taxation and borrowing. A government's budget is one of the most important economic policy tools to facilitate equality, justice, and the fulfilment of human rights. It is the key policy document reflecting governments' priorities as well as how resources are allocated among them. National and provincial budgets are also accountability tools. Redistributive fiscal policies such as investments in social spending for equality and economic and social rights, and the adoption and implementation of progressive taxation and transparent tax administrative systems to tackle tax evasion and avoidance, are key for building inclusive and sustainable societies.

When national and local budgets integrate States' economic and social rights' considerations, they can be powerful levers for well-being, shared prosperity, inclusive and sustainable economies, and peace. Increased investments in social sectors, including health, education, water and adequate housing, with a focus on ensuring accessibility, affordability, and quality of services will strengthen countries' capacities to withstand shocks and facilitate inclusive economies and societies. It will also result in more sustainable and equitable development outcomes. This approach, within a framework of fiscal transparency and accountability, and the substantive participation of all, is also key to guiding States' investment decisions for the progressive realization of economic and social rights.

The International Covenant on Economic, Social and Cultural Rights notes that the minimum core obligations are considered to be of immediate effect to meet the *minimum essential levels of each of the rights*. Even if a State has inadequate resources at its disposal, the Government must still introduce low-cost and targeted programs to assist those most in need so that its limited resources are used efficiently and effectively.

Recommendations

Reducing the racial and gendered wealth gap is key to constructing inclusive economies, promoting shared prosperity, and reducing racial and gender inequalities. Baby bondsⁱ is an innovative and practical policy solution primarily originated and championed by American Economist and Professor Darrick Hamilton. Imagine every child in America and the world receiving a government-funded savings account at birth, managed by national and local governments until adulthood. These accounts are designed to provide children and their families with the economic resources needed to begin building long-term economic security and generational wealth — as well as a pathway out of poverty for millions and a concrete solution for reducing inequalities.

Scenarios

How does it work? Babies are automatically enrolled at birth and receive a seed deposit that is income-dependent, meaning that lower-income families receive larger deposits, embodying a targeted policy aimed at reducing wealth inequality and informed by economic and social rights. Governments would invest and administer the funds, which would grow over time until recipients choose to access them when they become adults. The funds can be used to pay for higher education, homeownership, or entrepreneurship — three of the most proven ways to build wealth in the high-, middle- and low-income countries. In addition, Baby Bonds are natural stimulants to state economies through their complementary impacts on savings, investment enhancement,

and market expansion in the key sectors that their maturation and deployment support-- including higher education, finance, housing and small business development.

Human rights enhancing economic and social policies, such as Baby Bonds, at the global, regional, national, and local levels are necessarily context specific, evidence based and intentional in their focus on contributing to the promotion of adequate standard of living for all and an end to poverty and inequality. Such policies are informed by analyses of the root causes and structural underpinnings of poverty, inequality, marginalization and discrimination based on race, gender, age, income, and wealth, etc., (as relevant for the context in question).

In the absence of adequate resources allocated to groups facing multiple and persistent forms of discrimination, the world will experience increasing social unrest. Tackling economic and social inequalities at the national level requires political will and fiscal policy interventions to regulate and support investments in those sectors that are linked to equality and non discrimination, the realization of economic and social rights, and the attainment of the SDGs.

Within the context of the current poly crisis, an integrated, systems, and building block approach which is intentional about redressing racial and gender inequalities and discrimination is urgently necessary. To succeed, this approach must have the substantive participation of all stakeholders, from people of African descent, to women's rights organizations, indigenous peoples movements, and climate advocates as well as low-, middle-, and high income countries. All stakeholders are necessary to create a world in which all can live free from fear and want. Rights holders, duty bearers, civil society organizations, academics, the private sector, the United Nations, and the international financial institutions all have important and specific roles to play; not only because the



integrity of the multilateral system is at stake, also because the lives of people and the health of the planet are in the balance.





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