

United Nations Economic and Social Council (ECOSOC)

Background Guide Topic:

Integrating Redistribution in a Globalized Economy



Director's Note

Dear Delegates,

Welcome to the United Nations Economic and Social Council of Japan Metropolitan Model United Nations 2024! The chairs of this committee truly appreciate your participation in this conference and we hope to have a fruitful conference over the two days.

My name is Aoi Nakata, and I am currently an 11th grader at Senzoku Gakuen High School. In this conference, I will be serving as the director of the ECOSOC, along with three co-chairs. I lived in the US for a total of around 8 years, spending most of my childhood in America. I enjoy my after-school hours debating and taking part in the MUN club. Experience as a co-chair at JMMUN 2022 and director of UNDP at JMMUN 2023 as well as a delegate at overseas conferences has made me more aware of what a great MUN conference entails.

This year, the Advanced committee will be taking up the topic of the global economy. With this year's theme "Magnify", we have zoomed in on the global economy, focusing on problems you may not see in your everyday life. Before starting research on this background guide, just like you, I did not know a single thing about redistribution. Though I presume not many people are familiar with the topic, a deep understanding of this topic is necessary in order to confidently present your country's stance. Depending on the country, the stance that each country holds towards this topic will differ greatly. Regardless of these differences, I hope that we can have a respectful yet heated conference.

Though the conference is only over the course of two days, I hope that this conference will allow all of you to build connections that will last a lifetime. Learning about global connections is just as important as making friends throughout this conference! Please feel free to reach out to us if you have any questions or concerns.

Sincerely,



Aoi Nakata
Director of United Nations Economic and Social Council
Senzoku Gakuen Model United Nations Club
Japan Metropolitan Model United Nations



Introduction of the Committee

The Economic and Social Council (ECOSOC) was founded on June 26, 1945 with the hope of bringing people and issues together to "promote collective action for a sustainable world." This council "is at the heart of the United Nations system to advance the three dimensions of sustainable development – economic, social and environmental. It is also responsible for the follow-up to major UN conferences and summits."¹

The Economic and Social Council for JMMUN 2024 will focus on how current society is not equal and what steps could be taken to distribute the causes of this in our world where globalization has spread.

Key Terms

Income Redistribution

Income redistribution refers to when income is redistributed throughout the society so as to lessen the income inequality that's present. Income redistribution has many aims, such as promotion of economic

¹ *About Us*. United Nations Economic and Social Council.

<https://www.un.org/ecosoc/en/content/about-us>

stability and possibilities for society's less affluent members.²

Redistributive Policies

Redistributive policies refer to an essential component of strategies for reducing inequality and promoting sustainable development in its three dimensions: economic, social and environmental.³

Open Economy/Closed Economy

An open economy refers to when trade takes part from one local or domestic factor to another entity in a different nation.⁴ As opposed to this, a closed economy refers to a country that is not involved in international trade, relying on its singular economy.⁵

² *Income redistribution*. StudySmarter UK. (n.d.). <https://www.studysmarter.co.uk/explanations/microeconomics/poverty-and-inequality/income-redistribution/>

³ *Redistributive policies*. United Nations Economic and Social Commission for Western Asia. (2015, December 29). <https://archive.unescwa.org/redistributive-policies#:~:text=Title%20English%3A-,redistributive%20policies,%3A%20economic%2C%20social%20and%20environmental>

⁴ *Open economy - what is it, example, macroeconomics - wallstreetmojo*. (n.d.).

<https://www.wallstreetmojo.com/open-economy/>

⁵ Zanzalari, D. (2022, April 29). *What is a closed economy?*. The Balance.

<https://www.thebalancemoney.com/what-is-a-closed-economy-5206337#:~:text=Key%20Takeaways.f%20within%20the%20single%20economy>



Protectionism

Protectionism refers to the act of protecting the domestic industry from national competitors, though it is generally agreed upon that free trade is ultimately beneficial for all. ⁶

Foreign Direct Investment

This is the investment that an investor in one economy will make towards another economy, a connection made which signifies lasting influence and trust between the two. ⁷

Resource Inequality

A situation when resources necessary to life (i.e. water, electricity, food) have limited surplus and so therefore some can experience a deficiency of it.

Liquidity

When an asset can be turned into ready cash without affecting its market price, with cash being the most “liquid” of it all. Tangible sources can be referred to as “illiquid”.

Credit Risk

This refers to the possibility of loss of money that a lender experiences when approving a loan. ⁸

Inflation

A rise in prices when purchasing power declines. ⁹

Deflation

A decline in purchases when purchasing power increases. ¹⁰

Current Situation

Labor market

Inequality starts in the labor market, where the difference in the wages of the employers, especially in developed countries, is creating the first step of inequality. This is caused by the increasing numbers of job losses and the existing wage inequality. Minimum wages contribute effectively to reducing wage inequality and reducing the gender pay gap.

⁶ Encyclopædia Britannica, inc. (2023, July 14). *Protectionism*. Encyclopædia Britannica. <https://www.britannica.com/money/topic/protectionism>

⁷ *Resource inequality*. StudySmarter UK. (n.d.-b). <https://www.studysmarter.co.uk/explanations/geography/global-resource-management/resource-inequality/>

⁸ Team, T. I. (n.d.). *Credit risk: Definition, role of ratings, and examples*. Investopedia. <https://www.investopedia.com/terms/c/creditrisk.asp#:~:text=Credit%20risk%20is%20the%20probability.and%20increased%20costs%20for%20collection>

⁹ Fernando, J. (n.d.). *Inflation: What it is, how it can be controlled, and extreme examples*. Investopedia. <https://www.investopedia.com/terms/i/inflation.asp>

¹⁰ Team, T. I. (n.d.-b). *Deflation: Definition, causes, changing views on its impact*. Investopedia. <https://www.investopedia.com/terms/d/deflation.asp>



The economic inequality is also high in developing countries due to high inflation, and this may be a major obstacle to reducing poverty.¹¹

Situations Around the World

The gap between the poor and rich over the world remains broad, as the wealthiest 10% obtain 52% of the world's income, while the poorest 50% only obtains 8.5%.¹²

In the United States, an example of a free market economy, a total of \$50 trillion that could have been paid to working Americans had been funneled into corporate profits or paid to the already rich for the past four-decades.¹³

In the Russian Federation, an example of a mixed economy of government surveillance and free market, the income gap between the top 10% and the poor 50% greatly increased

after the fall of the Soviet Union in 1991.¹⁴

South Africa also maintains a mixed economy, and the income gap has been worsening. This is the result of high unemployment rates, with youth unemployment rates exceeding 50%.¹⁵

Nine out of ten countries marked with the lowest income inequalities were located in or near Europe, which can be attributed to the fact that European countries minimize the effect the market has on sectors such as education and healthcare.¹⁶

Case Studies

Subtopic I: Global Financial Governance

From the late 19th century, the world started to globalize, joining hands in exchange of goods and money - a movement otherwise known as "The First Wave" of economic

¹¹ 6. *Equality*. International Labour Organization. <https://www.ilo.org/global/topics/dw4sd/themes/equality/lang--en/index.htm>

¹² Inequality: Global trends. Development Initiatives. (n.d.). <https://devinit.org/resources/inequality-global-trends/#:~:text=The%20poorest%2050%25%20of%20the,thirds%20of%20global%20income%20inequality>.

¹³ Hanauer, Nick and Rolf, David (2020, September 14). The Top 1% of Americans Have Taken \$50 Trillion From the Bottom 90%—And That's Made the U.S. Less Secure. Time. <https://time.com/5888024/50-trillion-income-inequality-america/>

¹⁴ Russian Federation - WID - World Inequality Database. WID. (n.d.).

<https://wid.world/country/russian-federation/>

¹⁵ Six charts explain South Africa's inequality. IMF. (2020, January 30).

<https://www.imf.org/en/News/Articles/2020/01/29/na012820six-charts-on-south-africas-persistent-and-multi-faceted-inequality#:~:text=High%20unemployment%20is%20a%20major,youth%20unemployment%20exceeding%2050%20percent>.

¹⁶ Wealth inequality by country 2024. (n.d.).

<https://worldpopulationreview.com/country-rankings/wealth-inequality-by-country>



globalization.¹⁷ Upon introduction of the first wave, society started to increasingly see private banks, the World Bank (IBRD), and the International Monetary Fund (IMF). With the pandemic and political wars bringing light to insufficient economic policies that fail to fulfill its users' necessities, it hints at the need for an improved global financial safety net for emerging markets and developing economies (EMDEs).¹⁸

Case Study 1: Special drawing rights

In 1969, in order to supplement its member countries' official reserves, the IMF created the Special Drawing Rights, SDR, as an international reserve asset.¹⁹ Special drawing rights mitigate risks in order to supplement its member countries' official reserves and facilitate international trade and

¹⁷ *The three waves of globalisation*. Nordregio. (n.d.). <https://archive.nordregio.se/en/Metameny/About-Nordregio/Journal-of-Nordregio/2008/Journal-of-Nordregio-no-1-2008/The-Three-Waves-of-Globalisation/index.html#:~:text=The%20First%20Wave,pronounced%20than%20it%20is%20today>

¹⁸ Dollar, D., Alistair Dieppe, M. A. K., Marcela Escobari, E. L. Y., Mulligan, J., Kerllen Costa, A. U. O., & Louise Fox, L. S. (2022, March 9). *The International Monetary and financial system: How to fit it for purpose?*. Brookings. <https://www.brookings.edu/articles/the-international-monetary-and-financial-system-how-to-fit-it-for-purpose/>

¹⁹ Special drawing rights (SDR) - what is it, benefits, uses - wallstreetmojo. (n.d.-b). <https://www.wallstreetmojo.com/special-drawing-rights/>

transactions. A proposal for issuing new SDRs as the pandemic spread through the world proved its necessity on account of the lack of super-majority support that was necessary (85% of all EMDEs).²⁰

Though its use in the past has been limited to a mere 4 times, SDR is a conducive choice to take in times of financial crisis. Recognizing SDR's part in financial turmoils should not be overlooked; however, presenting its faults seems necessary in order to address the scant usage of this system.

On August 23, 2021, the IMF allocated \$650 billion worth of SDRs to add liquidity to the global economy instability caused by COVID-19. The SDRs prove itself necessary when member countries use it to pay the IMF or for fiscal purposes. The data from 2021 seems to be significantly higher than the 2009 allocation, suggesting both “a greater need for these resources and a higher level of awareness among policymakers on how they can be used”.

²⁰ Dollar, D., Alistair Dieppe, M. A. K., Marcela Escobari, E. L. Y., Mulligan, J., Kerllen Costa, A. U. O., & Louise Fox, L. S. (2022a, March 9). *The International Monetary and financial system: How to fit it for purpose?*. Brookings. <https://www.brookings.edu/articles/the-international-monetary-and-financial-system-how-to-fit-it-for-purpose/>



Special drawing rights can also prove useful when a country is deep in debt or needs financial assistance in times of crisis, such as war. Behind the scenes of the Ukraine-Russian war, SDR played a vital role.²¹

As of the 28th of February 2021, Russia has not touched its SDR holdings since the new SDR allocation of August 2021 (although its holdings are slightly less than its allocation, indicating some use in the past (Figure 1).²² However, Ukraine depleted about half its SDRs in September and used most of the remainder in November (Figure 2).



Figure 1: Russia’s SDR holdings since the new implementation of August 23, 2021



Figure 2: Ukraine’s SDR holdings since the new implementation of August 23, 2021

To exchange SDRs, Russia would have to find another government willing to enter into an agreement with them, which seems highly unlikely.²³

Case Study 2: Group of 20

The Group of 20 (G20) was made “to address major issues related to the global economy, such as international financial stability, climate change mitigation and sustainable development”.²⁴ The G20 has helped out in playing its role in preventing and preparing for emergencies such as the pandemic, and providing fast yet smart responses to those.²⁵ The establishment of the Financial Stability Board proves just

²¹ Thomson Reuters. (2013, December 27). *Russia may use IMF special drawing rights as part of Ukraine’s \$15 billion bailout*. Reuters.

<https://www.reuters.com/article/uk-ukraine-protest-bailout-idUKBRE9BQ0BC20131227>

²² Plant, M., Haacker, M., & Mitchell, I. (n.d.). *Can Russia use its sdrs? yes and no*. Center For Global Development | Ideas to Action.

<https://www.cgdev.org/blog/can-russia-use-its-sdrs-yes-and-no>

²³ Mark Plant and Lucas Sala, Plant, M., & Clemence Landers and Mark Plant. (n.d.). *Does European tithing of SDRs for Ukraine make any sense?*. Center For Global Development | Ideas to Action.

<https://www.cgdev.org/blog/does-european-tithing-sdrs-ukraine-make-any-sense>

²⁴ Council on Foreign Relations. (n.d.). *What does the G20 do?*. Council on Foreign Relations.

<https://www.cfr.org/background/what-does-g20-do>

²⁵ *Finance track*. Home. (n.d.).

<https://www.g20.org/en/workstreams/finance-track/>



this. Moreover, G20 addresses international tax issues, including efforts to combat tax evasion and ensure a fair distribution of tax revenues. This includes initiatives such as the Base Erosion and Profit Shifting (BEPS) project, which seeks to prevent multinational corporations from exploiting loopholes to reduce their tax liabilities.

BEPS refers to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to locations with no/low tax rates and no/little economic activity, resulting in little or no corporate tax being paid, or an annual revenue loss for the government of at least 100-240 billion USD.²⁶

One of the key elements of the BEPS project is the requirement for multinational companies to provide more transparent information about their operations and profits on a country-by-country basis. Profit shifting will be better taken out this way, and the world as a whole will be able to benefit.

The economy needs to be one in order to profit as a whole. It goes without saying that a globalized world requires a system capable of supporting its needs.

²⁶ Base erosion and profit shifting - OECD BEPS. (n.d.-a). <https://www.oecd.org/tax/beps/>

Subtopic II: Global Trade and Resource Distribution

In the current world, global value chains make up around 70 percent of global trade, with the other 30 percent being production of goods taking place entirely in one country and exporting them to another. Global value chains refer to splitting up the process of producing goods between multiple countries, with different elements carried out wherever the necessary skills and materials are available at the most efficient cost and quality. This new and globalized form of trade has enabled more countries to be involved in global exports and imports, but has also increased cost at trade barriers.²⁷

Case Study 1: Protectionism

Britannica defines protectionism as “policy of protecting domestic industries against foreign competition by means of tariffs, subsidies, import quotas, or other restrictions or handicaps placed on the imports of foreign competitors.”²⁸

Protectionist policies, such as quotas and tariffs, are frequently used by emerging countries to shield their growing industries from inexpensive international competitors, hence reducing income losses to foreign

²⁷ OECD. *How trade works*.

<https://www.oecd.org/trade/understanding-the-global-trading-system/how-trade-works>

²⁸ Britannica (2023, November 20). *Protectionism*.

<https://www.britannica.com/money/topic/protectionism>



countries while keeping prices higher for domestic producers. Although criticized by many economists, many nations, both developed and developing, imposed protectionist measures during the COVID-19 pandemic to first limit exports of vital medical supplies and further extended them to increase consumption of national goods over international ones. In this section, we will highlight the key terms and differences between protectionist measures, and how they impact the economy.

Government issued tariffs

Government issued tariffs raise the price of imported articles, making them more expensive (and therefore less attractive) than domestic products. These tariffs help stimulate the economy in recessions or depressions. Preferential tariffs, however, are agreed-upon tariff rates under a preferential trade agreement between multiple nations.²⁹ They serve to lower the tariff rate of some goods than the MFN rate (Most-Favored Nation rate), which is the rate a country applies to all nations that are members of the World Trade Organization (WTO).³⁰ Increases in preferential tariffs

²⁹ Business Roundtable. *Types of Tariffs*. [https://www.businessroundtable.org/types-of-tariffs#:~:text=Most%2Dfavored%20nation%20\(MFN\),on%20imports%20from%20specific%20countries](https://www.businessroundtable.org/types-of-tariffs#:~:text=Most%2Dfavored%20nation%20(MFN),on%20imports%20from%20specific%20countries).

³⁰ World Bank Blogs (2016, January 11). *Picture Trade: Types of tariffs explained*. <https://blogs.worldbank.org/trade/picture-trade-types->

against developing countries is likely to help them make significantly more profit and improve their terms of trade, allowing for equitable redistribution according to an IMF report.³¹

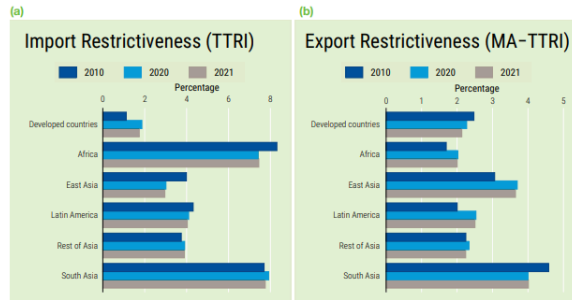
To research more into the imposition of tariffs in different countries, delegates may find it helpful to research the Tariff Trade Restrictiveness Index (TTRI) and the market access counterpart (MA-TTRI) issued by the United Nations Conference on Trade and Development (UNCTAD) (see Figure 1). Although tariffs are on the decline, agricultural tariffs are still very common, as in some nations, agricultural products are deemed important for national security reasons.³²

[tariffs-explained#:~:text=A%20Preferential%20Tariff%20is%20one.rate%20than%20the%20MFN%20rate](#)

³¹ IMF eLibrary (1966, December 1). *Tariff Preferences and Developing Countries*. <https://www.elibrary.imf.org/view/journals/022/0003/004/article-A004-en.xml>

³² Economic Research Service U.S. DEPARTMENT OF AGRICULTURE (2021, June 7). *How the Removal of Tariffs Would Impact Agricultural Trade*. <https://www.ers.usda.gov/amber-waves/2021/june/how-the-removal-of-tariffs-would-impact-agricultural-trade/#:~:text=Tariffs%20are%20higher%20on%20agricultural.important%20for%20national%20security%20reasons>.





Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Figure 1: Tariff Trade Restrictiveness Index (TTRI) and the market access counterpart (MA-TTRI)³³

Import quotas

Import quotas are the “amounts of goods that a country allows to be imported during a particular period of time.”³⁴ Like tariffs, import quotas’ prime objective is to protect domestic industries and stabilize prices of domestic goods. However, import quotas may have further benefits, such as curbing the trade of “luxury” items and instead focusing on trading necessities, and improving a country’s bargaining power.

Two different types of import quotas include absolute quotas and tariff-rate quotas.

Absolute quotas set the amount of goods a country can import, and after the quota is

³³ United Nations Conference on Trade and Development (UNCTAD) (2022). *KEY STATISTICS and TRENDS in Trade Policy 2022*. https://unctad.org/system/files/official-document/ditctab2023d2_en.pdf

³⁴ Cambridge Dictionary. *Import Quota*. <https://dictionary.cambridge.org/dictionary/english/import-quota>

reached, the import is capped. However, tariff-rate quotas allow an amount of goods to be imported with a lower tariff rate, while after the quota is reached, imposing a higher tariff rate. Tariff-based quotas are a fusion of both import quotas and tariffs, and allow nations to protect their domestic industries while allowing a certain amount of international competition.³⁵

It has been historically said that peace and stability encourages free trade, while wars and economic instability encourages protectionism. This topic is highly controversial among economists, with some stating that de-globalization of trade is increasing while some claiming that although COVID-19, the ongoing trade war between the US and China, and geopolitical tensions have curbed global trade temporarily, it has diversified many economies and strengthened relationships, becoming more adaptable to sudden changes.^{36 37} During the conference,

³⁵ StudySmarter. *Import Quotas*. <https://www.studysmarter.co.uk/explanations/macroeconomics/international-economics/import-quotas/>

³⁶ The World Bank (2023, August 29). *Protectionism Is Failing to Achieve Its Goals and Threatens the Future of Critical Industries*. <https://www.worldbank.org/en/news/feature/2023/08/29/protectionism-is-failing-to-achieve-its-goals-and-threatens-the-future-of-critical-industries>

³⁷ International Monetary Fund (2023, June). *GROWING THREATS TO GLOBAL TRADE*. <https://www.imf.org/en/Publications/fandd/issues/2023/06/growing-threats-to-global-trade-goldberg-reed>



delegates must look to discuss the current trend in global trade, as well as measures to alleviate divide and encourage redistribution.

Case Study 2: Benefits and Detriments of Free Trade

The impact of globalization on equality has become a serious concern for many countries. Although it was widely believed that increased global trade positively impacts income distribution, there is growing evidence challenging this belief. The impact of increased trade or trade liberalization on within-country inequalities is mixed.³⁸ One reason for the inconsistent findings is the impact of other factors affecting inequalities, including labor market conditions, inflow of capital, and policy reforms.

Due to the various outcomes stemming from trade liberalization by each nation, delegates are encouraged to research not only their country's stances and policies on global trade, but to examine other nations' current situations and changes in stance regarding this specific subtopic.

³⁸ Urata, S., & Dionisius, N. (2017, February 23). *International Trade and inequality*. Asian Development Bank. <https://www.adb.org/publications/international-trade-and-inequality>

Ecuador³⁹

In Ecuador, instead of benefiting citizens and reducing income inequality, research revealed that free trade only benefits the richest and the upper-middle class while contributing to greater income inequality in the lower-middle and the poorest class. The study suggests that the nature of Ecuadorian trade, exporting commodities such as oil, fruits, and seafood products and importing manufactured goods contributes heavily to income inequality. As firms that employ well-educated, highly paid workers can import manufactured goods cheaply while the lower-class workers work at firms that export commodities, the divide of wealth becomes larger. Although the study only focuses on Ecuador, this may be the case for other commodity dependent economies such as Venezuela and Botswana. Diversification of exports in those countries must be a priority in discussing redistribution through trade.⁴⁰

³⁹ Peter, D. (2022, June 7). *Study: Trade can worsen income inequality*. Massachusetts Institute of Technology. <https://news.mit.edu/2022/international-trade-income-inequality-0607>

⁴⁰ United Nations Conference on Trade and Development (UNCTAD) (2022, July 20). *Pathways to economic diversification in commodity dependent developing countries*. https://unctad.org/system/files/official-document/cimem2d53_en.pdf



NAFTA (North-American Free Trade Agreement)⁴¹

The North-American Free Trade Agreement came into effect on January 1, 1994, aiming to increase trade amongst its three signatories, the US, Canada, and Mexico. Not only did it promote free trade, it promoted amicable resolution of potential conflicts by providing dispute settlement procedures if no mutually acceptable resolution is reached. NAFTA has supported economic growth and prosperity, raising the living standards of all three member countries. Total merchandise trade between the three countries reached approximately USD \$1.0 trillion in 2016, representing a more than threefold growth since 1993. The North American economy has increased since NAFTA's adoption, with the combined GDP of Canada, the United States, and Mexico reaching USD \$21.1 trillion in 2016.

However, NAFTA was seen by many critics as having disastrous domestic effects on production and jobs of the related countries. Since labor is cheaper in Mexico than the US, many manufacturers withdrew from the US to move to Mexico instead, leading to a loss of jobs in the US, notably in the

⁴¹ Government of Canada (2018, January 22). *North American Free Trade Agreement (NAFTA) - Fast Facts*. <https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/nafta-alen/fta-ale/facts.aspx?lang=eng>

manufacturing field. Additionally, due to NAFTA, Mexico lost nearly 1.3 million farm jobs from 1994 to 2004, and also experienced exploitation of Mexican workers near the border and deterioration of the environment. NAFTA was officially ended in 2020 by Donald Trump, and has since then been replaced by the USMCA (United States-Mexico-Canada Agreement).

⁴²

Case Study 3: Capacity-Building Programs

We have analyzed various economic concepts above and suggestions for promoting redistribution. However, one disadvantage we have not discussed is the lack of adequate capacity of developing nations to participate in trade equitably. The World Trade Organization (WTO)'s Trade-Related Technical Assistance and Capacity Building (TRTA CB) Program aims to enhance the trade capacity of developing nations and suggest optimal trade policies and regulations for economic development, and provide assistance regarding challenges they may face.⁴³ This program is focused on trade negotiations,

⁴² The Balance (2022, January 20). *The Problems with NAFTA*. <https://www.thebalancemoney.com/disadvantages-of-nafta-3306273>

⁴³ World Trade Organization (n.d.). *WTO technical assistance and training*. https://www.wto.org/english/tratop_e/devel_e/teccop_e/tct_e.htm



policy analysis, and infrastructure development regarding trade. Delegates are encouraged to research national, bilateral and multilateral efforts promoting capacity building and development aid to promote free and equitable trade for all.

Subtopic III: Taxation and Poverty Alleviation

Economic inequality has taken the center stage in the policy debate worldwide. In advanced economies, the apparent impact of globalization and technological change and the cost of counteracting these forces is raising concern. Especially in developing countries with rapid economic development, economic disparity is worsening. In countries where growth is satisfactory but benefits the poor much less than the non-poor, there obviously is a strong case for shifting resources from those at the top of the income scale to those at the bottom. Giving poor children access to better education and paying for it by taxing the affluent is one way to reduce inequality while also fostering future growth and poverty reduction. Redistributive policies could also help narrow the gap between rich and poor in countries with high inequality, where social and political tensions or the rise of populist regimes might prove

detrimental for growth in the long run.⁴⁴

Case Study 1: Progressive taxing⁴⁵

Taxation and income transfers to the poor in society are the most direct way to reduce inequality. Taxation and income transfers work best when social development only benefits the rich and further progressive tax and transfer systems are broadly supported by the general population.

Firstly, more people prefer progressive taxing. According to a survey conducted by World Values Survey, of people from diverse backgrounds, most were supportive of progressive taxing. In many countries, richer respondents were more likely to agree than disagree that the tax and transfer system should be progressive.

Secondly, progressive taxing is said to be effective in solving inequality. This has been highlighted by the latest World Bank Poverty and Shared Prosperity Report. The redistribution of direct income taxes instead of indirect taxes will be very useful for

⁴⁴ François, B. (2018, March). *Redistribution of Income and Reducing Economic Inequality*. International Monetary Fund. <https://www.imf.org/en/Publications/fandd/issues/2018/03/bourguignon>

⁴⁵ Christopher, H., Chiara, B. (2022, November 9). *Why does the progressivity of taxes matter?* World Bank Blogs. <https://blogs.worldbank.org/governance/why-does-progressivity-taxes-matter>



governments in order to create a more equal society.

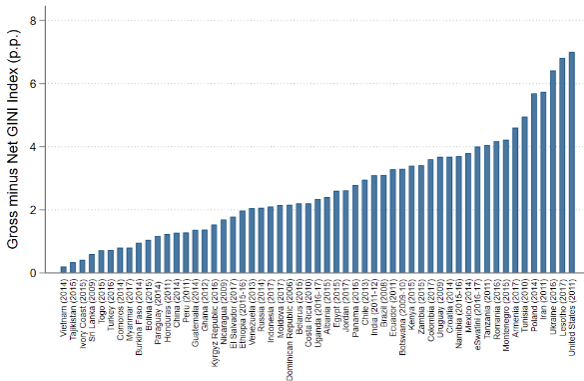


Figure 1: The difference between levels of income inequality before and after taxes

The figure above shows the difference between levels of income inequality before (gross GINI index) and after (net GINI index) taxes, transfers, and subsidies across the 55 low and middle income countries for which comparable data is available.

Thirdly, there are studies that suggest that people are more willing to pay taxes when taxes are progressive. A new World Bank working paper based on a broadly representative survey of people with internet access in a diverse set of countries speaks directly of the consequences of reforms that alter the progressivity of taxes. The results are pooled across the countries based on whether or not the tax systems were progressive. These findings suggest tax reforms that improve progressivity could

have additional benefits by increasing people’s willingness to pay tax.

However, the opposite could also be the case— tax reforms that reduce progressivity could decrease people’s willingness to pay tax. In an extreme case, it is possible for tax reforms that reduce progressivity to a point where the net impact on revenue ends up to be negative.

Moreover, it is commonly said that most of the time, the amount given to the poor through progressive taxing is too small to make a difference. On average, taxes on personal income and cash benefits to the poor are almost 10 times lower, as a proportion of GDP, than in advanced economies.

An example of a country with progressive taxing is the United Kingdom. Exactly how much income tax you pay depends on the tax band one is in. However, countries such as the UK show that progressive taxing is not as effective as some say it to be.⁴⁶

As illustrated by the table below, basic-rate taxpayers pay 20% in income tax, while higher-rate taxpayers pay 40%. Additional-rate taxpayers pay a 45% tax rate if their income is over £150,000.

⁴⁶ GOV.UK (n.d.). *Tax if you come to live in the UK.* <https://www.gov.uk/tax-come-to-uk>





Figure 2: Income levels and the percentage of income tax

Overall, the UK ranks 22nd out of 36 OECD countries on the 2020 International Tax Competitiveness Index. Nearly half of UK tax revenue is raised from individual income taxes and national insurance contributions.

The ranking of the UK in the International Tax Competitiveness Index suggests that progressive taxing is not very effective.

Another example of a country with progressive taxing is the United States. The US is one of the countries with the most progressive taxing system, with 47% of the population not paying any income tax at all.

However, not a lot of the tax in the US goes to aiding those in poverty. They spend tax in a way which prefers the wealthy, who are the people who pay a fairly large amount of tax. For example, while it is common for

many countries to make social security mandatory, in the US it is optional, and a fairly large percentage of people who live in poverty do not receive social security.

Case Study 2: Regressive Taxation

Regressive taxation is when all citizens are taxed the same amount.⁴⁷ However, if we look at this from the perspective of percentage, poor people are required to use a larger percent of their income to pay their tax. Therefore, regressive taxation imposes a smaller burden on those who are wealthier.

Any regressivity stemming from broad-based consumption taxes such as a general sales tax or a value-added tax can be hard to offset if a government raises a large proportion of its total revenues through these taxes.

Consumption taxes are generally considered to be regressive because studies have shown that wealthier people spend a smaller proportion of their incomes. A full analysis, however, must take into account any future consumption taxes that will ultimately be paid when the savings of the rich are eventually consumed. To mitigate this perceived regressivity, consumption taxes are often levied at lower rates on goods perceived as necessities such as food and

⁴⁷ Britannica (n.d.). *regressive tax*. <https://www.britannica.com/money/regressive-tax>



clothing, while higher rates are levied on goods perceived as luxuries such as jewelry and yachts.

There are studies that suggest that regressive taxing is very effective in solving inequality in the country. This is because these countries spend their taxes that are redistributive in impact. This graph below suggests that countries with a progressive taxing system tend to have a larger disparity.

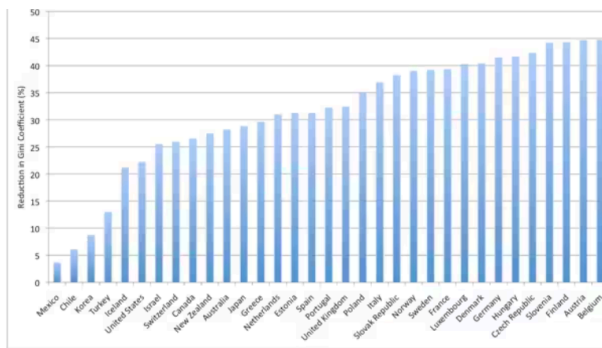


Figure 3: Reduction in inequality in OECD countries

The countries with low reduction such as Iceland, Turkey, South Korea, the US, Chile and Mexico are all countries that adopt a progressive taxation system. This suggests that regressive taxing systems are more effective in solving inequality and economic disparity.

An example of countries that implement a regressive taxation system are Scandinavian countries like Norway, Switzerland,

Denmark, Netherlands, and Sweden. As written above, unlike countries such as the United States or the United Kingdom, these countries spend their taxes that are redistributive in impact. These include transfer programs, healthcare, and education.

There are many statistics that have shown that these systems are highly effective. For example, one of the main reasons why many Scandinavian countries are at the top of the ranking created by The World Happiness Report is because these countries have a high quality of public services. Even the poor can receive high-quality healthcare and education. Therefore, Scandinavian governments can earn credibility from citizens by delivering successful policies and effective institutional services which directly leads to the improvement in citizens' quality of life.

Past Actions

UN SDGs

Goal 10: Reduce inequality within and among countries. Under this goal there are 10 targets and 14 indicators. This goal is to ensure enhanced representation for developing countries during international conferences and to focus on implementing the principle of special treatment for the



least developed countries.⁴⁸ They "encourage development assistance and investment in least developed countries" through ways such as funding. It promotes "universal social, economic and political inclusion" for people living with lower incomes and "ensure[s] equal opportunities"⁴⁹ and aims to end discriminatory practices.

Through the process of schools implementing SDGs into their classes, it raises awareness of each goal.

The OECD Development Assistance Committee (DAC) (OECD = Organization for Economic Co-operation and Development)

The mandate is that the "objective of the Committee is to promote development co-operation and other relevant policies so as to contribute to the implementation of the 2030 Agenda for Sustainable Development, including inclusive and sustainable economic development the advancement of equalities within and among countries poverty eradication, improvement of living

⁴⁸ Goal 10: Reduce inequality within and among countries. Sustainable Development Goals UN. <https://www.un.org/sustainabledevelopment/inequality/>

⁴⁹ Reduce inequality within and among countries. Our World in Data. (2023, July 18.) <https://ourworldindata.org/sdgs/reduced-inequalities>

standards in developing countries, and to a future in which no country will depend on aid." "The DAC currently has 32 members. Candidate countries are assessed in terms of the following criteria: the existence of appropriate strategies, policies and institutional frameworks that ensure capacity to deliver a development co-operation programme; an accepted measure of effort; and the existence of a system of performance monitoring and evaluation."⁵⁰

Official Development Assistance (ODA)

It is defined as "government aid that promotes and specifically targets the economic development and welfare of developing countries. The DAC adopted ODA...and it remains the main source for financing for development aid." It has been proven to be the most stable source of external financing.⁵¹

Questions to Consider

What are the potential consequences of

⁵⁰ Official development Assistance (ODA). OECD. <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm>

⁵¹ Ahmad, Yasmin, et al. *Six decades of ODA: insights and outlook in the COVID-19 crisis*. OECD. <https://www.oecd-ilibrary.org/sites/5e331623-en/index.html?itemId=/content/component/5e331623-en#:~:text=In%20nearly%20every%20decade%20since.more%20sensitive%20to%20economic%20shocks>



unequal redistribution policies on international relations and global stability?

How can countries strike a balance between promoting economic openness and ensuring social inclusivity through redistribution?

How does globalization impact labor markets and workers' rights? What is the role of international trade agreements and multinational corporations in shaping labor conditions?

How do cultural, political, and historical factors influence attitudes toward redistribution in different countries?

Guidelines for Position Papers

Position papers must clearly articulate the current situation of your country and briefly explain the past actions it has taken, further denoting possible solutions. Papers may also include international resolutions and strategies; however, the main focus **must** be on your country. Every year, a handful of delegates submit position papers with very basic information about their countries, such as geographical location and major trade exports. Unless such information directly relates to the topic, it should not be addressed in position papers at all.

Closing Remarks

Congratulations on completing the background guide! Hopefully you have gained a solid understanding of the committee and the problems surrounding redistribution in a globalized economy. We hope the many case studies included in the background guide will help you understand redistribution and what that means for the globalized economy.

However, this background guide is not comprehensive enough and reading it is just the beginning of your research. Further research is necessary to understand your country's stance and be able to come to the conference with confidence. The world is constantly moving forward and situations will likely change, which can be understood from the recent situation in the Ukraine-Russian war. Please keep an eye out on world affairs to deepen your understanding! We are truly looking forward to hearing everyone's discussions at the conference and hope delegates will come prepared, full of confidence!

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