

Canadian
Forces
College

Collège
des
Forces
Canadiennes



INEQUALITY: GLOBAL GOVERNANCE FOR THE FEW

Major Gavin Hunt

JCSP 43

DS568 Solo Flight

Disclaimer

Opinions expressed remain those of the author and do not represent Department of National Defence or Canadian Forces policy. This paper may not be used without written permission.

© Her Majesty the Queen in Right of Canada, as represented by the Minister of National Defence, 2017.

PCEMI 43

DS568 Solo Flight

Avertissement

Les opinions exprimées n'engagent que leurs auteurs et ne reflètent aucunement des politiques du Ministère de la Défense nationale ou des Forces canadiennes. Ce papier ne peut être reproduit sans autorisation écrite.

© Sa Majesté la Reine du Chef du Canada, représentée par le ministre de la Défense nationale, 2017.

CANADIAN FORCES COLLEGE / COLLÈGE DES FORCES CANADIENNES
JCSP 43 / PCEMI 43
8 MAY 2017

DS568 SOLO FLIGHT

INEQUALITY: GLOBAL GOVERNANCE FOR THE FEW

By Major Gavin Hunt

This paper was written by a candidate attending the Canadian Forces College in fulfilment of one of the requirements of the Course of Studies. The paper is a scholastic document, and thus contains facts and opinions, which the author alone considered appropriate and correct for the subject. It does not necessarily reflect the policy or the opinion of any agency, including the Government of Canada and the Canadian Department of National Defence. This paper may not be released, quoted or copied, except with the express permission of the Canadian Department of National Defence.

Word Count: 4,935

La présente étude a été rédigée par un stagiaire du Collège des Forces canadiennes pour satisfaire à l'une des exigences du cours. L'étude est un document qui se rapporte au cours et contient donc des faits et des opinions que seul l'auteur considère appropriés et convenables au sujet. Elle ne reflète pas nécessairement la politique ou l'opinion d'un organisme quelconque, y compris le gouvernement du Canada et le ministère de la Défense nationale du Canada. Il est défendu de diffuser, de citer ou de reproduire cette étude sans la permission expresse du ministère de la Défense nationale.

Compte de mots : 4,935

Global wealth inequality – the uneven distribution of wealth among the people of the world – has increased since the financial crisis of 2008.¹ In 2015, the world's wealthiest one percent owned approximately half of the planet's household wealth.² In the United States, the period after the financial crisis from 2009 to 2011 resulted in an 11.4 percent rise in income for the wealthiest one percent and a 0.4 percent decrease in income for the bottom 99 percent.³ Overall, the people of the world have enjoyed an increase in absolute wealth since the turn of the millennium, which many scholars attribute to the forces of globalisation. What is of concern from the standpoint of global security is the unintended social and political effects these phenomena are producing. As global wealth rises and is distributed unevenly, both horizontally between, and vertically within states, fissures of discontent open that help set the conditions for conflict.

Inherent in this inequality are three themes that inform the social and political conditions underpinning governance at the global level. The first of these themes is *belief* or the perception of truth. This theme speaks to the relationship and expectations the world's various polities have of their respective state governments, and of the global governance system that largely arbitrates the conditions of wealth creation in the world. The second theme is *power*, specifically who exercises global governance power and under what processes of consensus this power is exercised. The final theme is *justice*, which speaks to the outcomes at the individual level that can be attributed to global governance. These themes will be used as lenses in an analysis of the causes of wealth inequality and implications on global security.

¹ Anthony Shorrocks, Jim Davies and Rodrigo Lluberá, "Global Wealth Report 2015," *Credite Suisse, Zürich* (2015), p19.

² *Ibid*, p19.

³ Chrystia Freeland, *Plutocrats: The New Golden Age*, Kindle ed. (Doubleday Canada, 2012), Loc 770.

This paper contends that the current global governance system has resulted in unsustainable levels of vertical wealth inequality – between peoples within states. It posits that it is the vertical inequality of the wealthiest states which threatens the survivability of the current system of global governance, based on a growing perception of relative deprivation in the middle classes of the developed world. The relationship between inequality and conflict is likely to intensify as the information age enables polities to challenge their beliefs around narratives of globalisation, question the justice wrought by global governance, and illuminate the processes of exercising global power. Manifestations of these realities are well underway, as seen with the Arab Spring uprisings of 2011 and the populist political movements in the United States and Europe.

The first section of the paper examines the inequality between the ‘haves’ and the ‘have nots’ and demonstrates that the inequality of most concern from the standpoint of global security is the growing gap between the wealthiest people within the wealthiest states and their respective middle classes. The second and final section will outline the mechanisms of inequality inherent in the global system of governance and demonstrate that not only does global governance disproportionately favour the states of the global North, but it also disproportionately favours the enrichment of the wealthiest members of society within these states. This section will also examine the implications of these inequalities for global security, and demonstrate that a growing awareness of the middle classes will increasingly place higher demands of equality on global governance. Unless the global governance system can evolve a more equitable bargain for the peoples of the planet, its survivability as a generator of wealth will be contested. The implications of this inequality for the current world order are potentially profound. Each section will

illuminate these relationships through the aforementioned themes of *belief*, *power*, and *justice*.

THE ‘HAVES’ AND ‘HAVE NOTS’: A MATTER OF PERCEPTION

Inequality is a concept of considerable breadth, and a topic which has been given the attention of considerable scholarship. Vertical inequality measures the economic relationships between individuals while horizontal inequality measures these relationships between specific groups based on citizenship, gender, language, ethnicity, etc. This paper focuses on vertical inequality, particularly within the states of the global North. It also considers horizontal inequality between citizens of the states of the global South and the global North. This section focuses on vertical inequality within states of the global North, with a closer examination of the United States. Vertical inequality in the developed world has been rapidly increasing in the last 30 years, and this increase in inequality can be linked to the process of globalisation in the same period. The most concerning inequality from the standpoint of global security is this growing gap between the wealthiest people within the wealthiest states, and their respective middle classes, because these middle classes are the polities that support the current system of global governance. They are also the most information-connected and therefore the most sensitive to perceptions of relative deprivation. This concept of relative deprivation will tie in to the theme of belief.

The governance that has dominated the global economy since the fall of the Soviet Union has fuelled mounting vertical (in-country) inequality between the wealthiest minorities and everyone else. Furthermore, this inequality can be shown to be a consequence of globalisation, among other factors. In 2012 in the United States, the bottom 90 percent of the country’s population (144 million families) owned 22.8 percent

of the country's wealth while the top 10 percent owned 77.2 percent of the country's wealth.⁴ More striking is the disparity at the very top of the wealth pyramid; the top 0.1 percent of the country's population (160,700 families) owned approximately the same amount of wealth, 22 percent, as the bottom 90 percent.⁵ This disparity has been worsening over the period from 1986 to 2012, with the top 10 percent rising from 63.6 to 77.2 percent and the top one percent rising from 25.1 to 41.8 percent of the country's total wealth during this period.⁶ Saez notes that, "almost all the rise in the top one percent's wealth share since 1986 owes to the increase in the top 0.1 percent's share...and wealth is getting more concentrated in the United States."⁷ Stiglitz notes that this trend in wealth inequality is also played out in opportunity inequality, since "a young person's life prospects depend heavily on the income and education of his or her parents."⁸ He observes further that, "The 'American dream' is largely a myth."⁹ Not only is wealth inequality increasing since the end of the Cold War, but increasing most rapidly at the very tip of the wealth pyramid, with the majority languishing in terms of year over year wealth gains. In fact, the line that divides the population most starkly in terms of wealth inequality gains is the line between the 0.1 percent and the rest of the population.

The recent 2016 election campaign in the United States was full of rhetoric championing the middle class. The political value of this rhetoric is starkly highlighted by the stagnation of middle-class wealth in America despite overall wealth creation since the mid 1980s. Saez describes the middle class of America as the bottom 90 percent since the

⁴ Emmanuel Saez and Gabriel Zucman, "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data," *The Quarterly Journal of Economics* 131, no. 2 (2016), p551.

⁵*Ibid*, p551.

⁶*Ibid*, p551.

⁷*Ibid*, p552.

⁸ Joseph E. Stiglitz, "8. Inequality and Economic Growth," *Political Quarterly* 86 (December 02, 2015), p137.

⁹*Ibid*, p137.

bottom half of the population has a net wealth of zero; he observes that “the share of wealth owned by the middle class...peaked in the mid-1980s, and has continuously declined since then.”¹⁰ The Credit Suisse 2015 Global Wealth Report notes, “a decline in the share of middle-class wealth in every region [in the world] since 2007.”¹¹ The United States leads developed economies in wealth inequality, but the trend of the last quarter century in the United States is also evident in other developed economies. Stiglitz notes; “income inequality...has increased by roughly 29 per cent in the United States, 17 per cent in Germany, 9 per cent in Canada, 14 per cent in UK, 12 per cent in Italy and 11 per cent in Japan.”¹² This paper will take Saez’s definition of middle class as the bottom 90 percent of the wealth owners in a state.

This data clearly outlines a widening vertical inequality in wealth ownership and income levels within the states of developed economies of the global North and particularly in the United States. Importantly, inequality between states has been widening over the same period in a trend of continuing divergence between the wealth of the global North and the global South.¹³ The causes of these disparities can, at least in part, be attributed to globalisation. Hurrell notes that globalisation is about the global processes that generate the linkages and interconnections, “which transcends the states and societies which make up the modern world system.”¹⁴ Mills highlights that globalisation requires internationalization of markets, increased competition between states, new information and computer technologies (ICTs), increased interconnectedness,

¹⁰ Saez and Zucman, *Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data*, p555

¹¹ Shorrocks, Davies and Lluberas, *Global Wealth Report 2015*, p37

¹² Stiglitz, 8. *Inequality and Economic Growth*, p137

¹³ Melinda Mills, "Globalization and Inequality," *European Sociological Review* 25, no. 1 (2009), p3.

¹⁴ Andrew Hurrell, *On Global Order : Power, Values, and the Constitution of International Society: Power, Values, and the Constitution of International Society*, Kindle ed. (Oxford: Oxford University Press - Special, 2007), Loc 2569.

and finally a rising relevance and volatility of markets.¹⁵ Each of these authors' viewpoints highlight the importance of growing international trade markets and the tendency of these markets to be de-regulated and accelerated by the development of ICTs. These features of globalisation have reduced the transactional barriers in international markets associated with state borders and given rise to new forms of political and institutional global governance, including the World Bank, the International Monetary Fund (IMF) and the World Trade Organisation (WTO). These International Financial Institutions (IFIs) have shaped a globalisation process that has not accorded equal economic benefits to all citizens within developed states, nor across regions – Africa and Latin America lag – and has not provided all states with equitable political influence on global governance, which is marked by uneven influence on institutions and increasingly intrusive globalisation rule-sets.¹⁶

Underpinning these global institutions are the state policies of the developed nations, in particular the domestic and foreign policy of the United States. State policy attributes of globalisation that have directly contributed to vertical inequality include relaxation of government regulation on economic activity, the privatization of capital and consequent flight of capital, and the weakening of labour protections, to name a few.¹⁷ These policies have generated increasing absolute wealth, but this wealth has been consistently apportioned to the smallest minority of people. In 2009, Massey found that rising inequality over the last 30 years has been attributed to, “globalisation, technological

¹⁵ Mills, *Globalization and Inequality*, p3

¹⁶ Hurrell, *On Global Order : Power, Values, and the Constitution of International Society: Power, Values, and the Constitution of International Society*, Loc 2683

¹⁷ Mills, *Globalization and Inequality*, p4

change and market segmentation.”¹⁸ Linkages between rising inequality and globalisation are complex and multi-faceted. Even so, evidence clearly demonstrates the connection between these two processes over the last 30 years. Although inequality has been rapidly rising in the developed world, particularly the United States, it was not until the 2007-2009 financial crisis that increasingly large segments of the population became aware of their relative deprivation, and attending populist political movements began to gain traction in the United States and Europe.

Given the level of inequality, what are the implications for global security and the survivability of global governance as these inequalities widen? Most concerning from the standpoint of global security is the growing gap between the wealthiest people within the wealthiest states, and their respective middle classes. These middle classes are the polities that have supported the current system of global governance and are the most information-connected and therefore sensitive to perceptions of relative deprivation.

The concept of relative deprivation is articulated by Gurr as:

...actors' perception of discrepancy between their value expectations and their value capabilities. Value expectations are the goods and conditions of life to which people believe they are rightly entitled. Value capabilities are the goods and conditions they think they are capable of getting and keeping.¹⁹

This concept places emphasis on the *perception* of deprivation and brings in our first theme of belief or perception of truth, and the effect this perception has on the relationship and expectations the developed world's middle-class polities have of their

¹⁸ Douglas S. Massey, Globalization and Inequality: Explaining American Exceptionalism, *European Sociological Review* 25, no. 1 (2009, 2008), p10.

¹⁹ Ted Robert Gurr, *Why Men Rebel*, Kindle ed. Routledge, 2015, p24.

respective state governments and of the global governance system that largely arbitrates the conditions of wealth creation in the world.

Globalisation and its effects have been products of Western liberal values of open deregulated global markets, political international consensus building, deeper integration between states, and open borders. These values have generated significant overall wealth and the perception in the middle classes of developed states, (as demonstrated by the centrist liberal governments elected to power in the past thirty years – excepting the last several years which has seen Brexit and the election of President Trump), has largely been in support of globalisation based on expectations that these values promised increasing prosperity and access to ‘the good life’. Unfortunately, the reality of globalisation has not lived up to the promise of globalisation for many citizens of the developed world. Massey notes that a global economy places immense demands on financial capital, human capital, land, and energy, when supplies of such capital are limited; this in turn drives up returns for the owners of capital and drives down returns for physical labour,²⁰ which has directly contributed to the growing gap between the middle class and the wealthiest members of society.

This widening inequality gap has begun to have social and political effect in the developed world, particularly in Europe and the United States. This social and political effect is seen in the rising success of populist political movements which feature rhetoric and policy prescriptions to protect the middle class from the effects of globalism. Given that the tenets of globalism include open markets and borders, the populist antidote is protectionism and immigration reform. A current case study of this effect is the relative success of the populist movement in the United Kingdom embodied by the United

²⁰ Massey, *Globalization and Inequality: Explaining American Exceptionalism*, p10

Kingdom Independence Party (UKIP). UKIP saw its political fortunes climb in recent years with a third place showing in terms of popular support in both the 2014 elections for the European Parliament and the 2015 elections for the House of Commons.²¹ UKIP was also a powerful political force in the United Kingdom supporting Britain's exit from the European Union which became a politically successful venture in 2016.

A critical element of this political shift in the developed world is the inherent political risk-taking that it embodies, and the degree to which that risk-taking speaks to the severity of perceived relative deprivation. Steenbergen argues that right-wing populist activists are status-quo challengers, condemning the establishment and subscribing to an inherent ideal that privileges the native majority and rejects elite bargains.²² Gurr notes that group identities and shared grievances are key to understanding how people are politically mobilized to take risky political action. He also highlights the new dimension the information age introduces into these group identities and shared grievances by facilitating solidarity across national borders.²³ This dynamic was evident in the collaborative stumping between UKIP's leader and Donald Trump's presidential campaign. The populist movement against the status-quo and globalism represents risk-taking because of the uncertainty inherent in the outcomes of the features of contemporary populism, such as the potential economic risks of Great Britain leaving the European Union, and the potential economic risks of protectionist trade policies in the United States. The dawning reality that large segments of the population have embraced these risks for a new bargain, demonstrates a growing challenge to the legitimacy of the

²¹ Marco R. Steenbergen and Tomasz Siczek, "Better the Devil You Know? Risk-Taking, Globalization and Populism in Great Britain," *European Union Politics* 18, no. 1 (2017), p119.

²² Steenbergen and Siczek, *Better the Devil You Know? Risk-Taking, Globalization and Populism in Great Britain*, p121.

²³ Gurr, *Why Men Rebel*, pxi.

current global governance regime. As the leading economies begin to exchange policies of globalisation with policies of national populism there may be a fundamental shift in the normative consensus that has defined the global governance system to date. A key element of the shift from integrated economies and open borders to strengthened borders and national protectionism is a lowered incentive to favour consensus building over coercion and conflict. This trend threatens the current multilateralism bolstering global security initiatives.

Belief reflects emotion, identity, and belonging, and is integral to an individual's sense of security and meaning in a complex world. This deep human connection between belief and our sense of security is what makes many ideologies and systems of belief so resilient to a critical consideration of challenging facts, and such fertile ground for emotional calls to arms. Human perceptions of security and just use of force are routinely articulated in narratives of religion and ideology by leaders seeking to establish political capital for conflict or political gain. Belief in these narratives serves to simplify and galvanize the masses' understanding of threat in terms of in-group versus out-group, where just action is determined by the in-group, and matters of fact which underpin the complexity of a given conflict fade in importance. The globalisation that has generated enormous wealth, as well as enormous inequality of wealth, since the end of the Cold War, represents a complex interplay of social, political and economic factors that are difficult to untangle. As the middle classes of the developed world begin to wake up to this inequality, there exists a vulnerability to new caricatured belief narratives based on vilification of out-groups and aimed at addressing the perceived relative deprivations of globalisation. Global security, as constructed by the world's global institutions in a broad context of states, may depend on compelling new counter narratives to address these

inequalities and reform the global system, before social and political fissures open up and lead us to a world defined by borders and out-groups.

This section has examined the growing wealth inequality between the ‘haves’ and the ‘have nots’ in the global North and how this growing inequality has given rise to populist political movements, highlighting the relative perceived value deprivation of globalism and the potential impacts to global security.

GLOBAL GOVERNANCE: THE POWERFUL FEW

This section will examine the exercise of power within the institutions of global governance and argue that not only do current global governance regimes disproportionately favour the states of the global north in their exercise of power, but this governance also disproportionately favours the enrichment of the wealthiest members of society within these states. It will also examine the role of perceived justice in how global governance exercises power and the perception of outcomes delivered to the individual. Finally, this section suggests that the current social and political shifts seen in developed states will increasingly demand a better bargain from global governance institutions in terms of exercise of power and the justice outcomes for individuals, tying in the remaining two themes.

Governance at the global level aims to manage power, promote common interest and mediate differences.²⁴ Given the unipolar nature of global power since the end of the Cold War, the exercise of power at the global level has largely been in the interest of the United States and the core states of the global North. There is a fundamental tension in exercise of power at the global level between normalizing rules that aim to mediate

²⁴ Andrew Hurrell, *Power, Institutions, and the Production of Inequality*, in (Cambridge: Cambridge University Press, 2005), p41.

disparate values and the enforcing of a single set of universal values.²⁵ Hurrell outlines how power is related to global governance and globalisation through the international political system, the global capitalist economy, and in transnational civil society.²⁶ These three supra-national groupings are influenced unevenly by the collectivity of states that are vying for the values and good conditions that global governance and globalism offers. The character of governance at the global level is one defined by market competition, protection of transnational economies and increasingly complex and dynamic social and political networks that supersede national boundaries. Taken as a whole, these dynamic forces can normalize and erode state power.

A key discriminator in how effectively states can operate and exercise power in this space of the international political system and the global capitalist economy is how well they are able to adapt to the transformative realities of globalisation, and exploit the social and economic opportunities offered by globalisation.²⁷ Lee finds that a state's relative success in mitigating the wealth inequalities inherent in globalisation forces is in part determined by how domestic institutions of the state interact with the external structures of global governance.²⁸ Success in this realm is challenged by the strong incentives to subscribe to US-led international consensus building – the dominant force in the international political system – and to participate in economic liberalisation norms that grant access to wealth generating markets. This participative normalisation puts pressure on domestic policy and societies that have economic liabilities demanding a different economic policy approach to ensure development. At the end of the Cold War

²⁵ Andrew Hurrell, "Power, Institutions, and the Production of Inequality," in (Cambridge: Cambridge University Press, 2005), p41.

²⁶ *Ibid*, p33.

²⁷ *Ibid*, p50.

²⁸ Cheol-Sung Lee, François Nielsen and Arthur S. Alderson, "Income Inequality, Global Economy and the State," *Social Forces* 86, no. 1 (2007), p98-99

the International Financial Institutions (IFIs), which largely govern the global capitalist economy, were instrumental in exercising power in concert with the United States in setting the economic-reform agenda.²⁹ This American hegemony made it challenging for states to maintain divergent domestic policies and the United States used principles of conditionality and coercion to set the criteria for access to political or economic groupings in the global governance system – an example of this is the reform of intellectual property legislation in India and Brazil, who understood that a failure to reform would limit access to transnational corporations' investment.³⁰

Developing states of the global South have little leverage with a hegemonic power that establishes and funds the system; they have a general incentive to hegemonic deference and although many actively lobby the various levers of American power, there is rarely appetite for reforms on the capitalist tenets of globalisation. As an example, US foreign policy was uniformly against a reformation of the IFIs in order to manage financial crises.³¹ Hurrell argues that Washington favoured “aggressive trade diplomacy and linkage politics to open developing country markets,”³² and found that weaker states have adapted to the changing constraints and opportunities of globalization by adopting liberal values, deferring to hegemonic influence and coercive socialization. It was in this climate that the developing economies of the global South, which were in the greatest need of economic policy concessions to protect fledgling industries, were coerced into open trade arrangements favouring the already developed economies of the global North.

²⁹ Andrew Hurrell, "Power, Institutions, and the Production of Inequality," in (Cambridge: Cambridge University Press, 2005), p50.

³⁰ *Ibid*, p51.

³¹ Andrew Hurrell, "Power, Institutions, and the Production of Inequality," in (Cambridge: Cambridge University Press, 2005), p45.

³² *Ibid*.

Current global governance regimes are also heavily tilted in favour of the enrichment of global elites. There is a parallel argument outlining how global governance has disproportionately favoured the one percent of wealthiest citizens in the United States and other developing countries, and this argument is most convincingly made against the backdrop of the 2007-2009 financial crisis. It is in this example that we introduce our last theme of justice, and how global governance exercises power and the perceived justice of outcomes delivered to the individual as a result of that exercise of power.

In an example of how power is wielded in the transnational society, Freeland highlights the rise of a transnational global elite that are the uncontested winners in globalised markets. This global elite sits in the top 0.1 percent of the global economy and earn an average 124 times more than the average income of the bottom 90 percent.³³ They increasingly think of themselves as global citizens first, and are the most invested in maintaining the status quo of the current global governance system. Paradoxically, the global elite does not seem to have woken up to the growing danger that wealth inequality poses. A possible exception to this is likely Warren Buffet who has called upon the US Government to raise the effective tax rate of the super-rich such as himself.³⁴ Freeland notes that in the United States the top one percent paid over 23 percent income tax, the top 0.1 percent paid just over 21 percent income tax and the 400 wealthiest Americans paid less than 17 percent income tax.³⁵ Such inequalities and the global and domestic policy that sustains them, are fuelling a growing awareness and discontent of the middle class. After the 2008 financial crisis, Simon Johnson, the former Chief Economist of the

³³ Chrystia Freeland, *Plutocrats: The New Golden Age*, Kindle ed. (Doubleday Canada, 2012), loc 1518.

³⁴ *Ibid*, loc 1467.

³⁵ *Ibid*, loc 1467.

IMF likened the bankers and financiers of the United States to emerging market oligarchs, citing their success in diverting trillions of dollars of US bailout money to themselves.³⁶

Stiglitz outlines many aspects of the financial crisis that pulled back the veil on just practices, including an erosion of legal practice that included banks not verifying contracts for mortgages, and using robo-signers or paying single individuals to sign hundreds of affidavits without contractual review.³⁷ This amounted to foreclosure fraud and the big banks lying to courts. The US Attorney's lack of interest in prosecuting these crimes contributed to very few prosecutions. Instead, the banks made a partial settlement of approximately \$36 billion in foreclosure fraud, the cost of which was borne by the banks' shareholders.³⁸ This is only one example of many offered by the 2008 financial crisis and its aftermath that underscored the relative importance of the banks and the global financial system compared to the plight of the average American. As we have seen in the first section of this paper, the years after the financial crisis resulted in strong wealth gains for the one percent including many of the culpable financiers and elite that helped perpetrate the financial crisis. These narratives have powerful reverberations that were not broadly acknowledged until the discontent manifested in the populist movement that defined the 2016 election campaign in the United States.

The security implications of populist national movements are potentially profound, particularly as they take on characteristics that feature exclusive identity politics and seek to villainize various ethnic groups out of fear and uncertainty. This tendency underlines the complexity of the global financial system and the challenges for

³⁶ Chrystia Freeland, *Plutocrats: The New Golden Age*, Kindle ed. (Doubleday Canada, 2012), loc 1518.

³⁷ Joseph E. Stiglitz, *The Price of Inequality: How Today's Divided Society Endangers our Future* (New York: WW Norton & Company, 2012), p198.

³⁸ *Ibid.*

domestic wealth redistribution policies aimed at curbing inequality. In the way, stands the unshakeable belief of the middle class in the ‘American dream,’ as provided by an unfettered and largely unregulated capitalism. The current global security apparatus and the consensus and collaboration nature of security ventures, has the potential to regress under these political shifts as states look inwards for their enemies and wealth and seek a return to simpler times.

Global security depends on an international consensus which is not seduced by caricatured vilifications of out-groups, but predicated on objective assessments of threat and balanced approaches to conflict. Human society is a diverse and rich milieu of belief systems and ideologies which, at their best, evolve with evidence, and in keeping with a broadly arbitrated understanding of truth, justice, and moral society. The individual’s inherent need for security through group belonging and clearly defining their enemy often trumps their desire to critically understand threats that often transcend cultural, political and religious groupings. Furthermore, the contemporary security environment is heavily influenced by the information age, which provides any level of actor with global reach to incite populations to violence based on culture, belief and ideology. As a globalisation narrative of increased prosperity for all is contested, there is a need for new narratives which address inequalities and preserve progressive values. If these new narratives are not adopted soon, with a compelling story of balanced exercise of global power for the justice of the individual, there are other more damaging narratives which may begin to dominate the political landscape of the developed world and threaten global security.

This section has demonstrated that the exercise of power at the global level inherently favours the wealthiest states and disproportionately favours the top one percent of citizens within these wealthy economies. It has shown how power is exercised at the

global level based on US hegemony and principles of liberal economics that often disadvantage developing economies. This section has examined the theme of justice, and how there has been a shift since the financial crisis of 2008, on the perceived justice that the global governance regime offers the individual, and how this shift in perceived justice in a wider swath of the middle class has engendered political movements that challenge the status quo. It has explored the implications to global security that the current populist challenges to the global system entails.

CONCLUSION

This paper has outlined how globalisation and the contemporary regimes of global governance has helped foster an increasing inequality and wealth disparity between the wealthiest members of the wealthiest states and their respective middle classes. Although there also exists significant inequality in wealth and access of the global South to the power levers of the global governance system, the stagnation of the middle class represents the most significant terrain for political challenge and reformation of the current global paradigm. Widening perceptions among the middle classes that these inequalities represent an untenable relative deprivation will challenge the current global governance system via the populist political movements that define themselves with anti-globalism rhetoric, including protectionist trade policies and immigration reform. Such shifts in the politics of the global North represents a significant security challenge to the current world order.

Inherent in the social aspects of these political shifts are the themes of *belief*, *power*, and *justice*. This paper has examined how belief in the globalisation bargain of wealth generation for the developed and developing world has been challenged and how

the nature of that challenge demonstrates widening comfort with increasing political risk-taking in order to achieve change. It has also been shown that the exercise of power at the global level has been tilted heavily in favour of developed economies and the wealthiest patrons of developed economies. The processes of power have been defined by hegemony, conditional access and coercion. This has served to widen inequalities among states. The final theme of justice explored how the perceived injustices of the financial crisis of 2008 have illuminated the failures of global governance, and opened up political space for new narratives to define a new bargain to address these failures. Taken together, these three themes help illustrate the current political urgency for developed states to act and address these issues of inequality.

The paper suggests that global governance and globalisation have fostered unsustainable levels of vertical wealth inequality – between social classes within states. It has demonstrated that it is the vertical inequality within the wealthiest states which threatens the survivability of the current global governance regime, based on a growing perception of relative deprivation in the middle classes of the developed world. The relationship between inequality and political challenges to the status-quo is likely to intensify as the information age enables the 99 percent to challenge narratives of globalisation, question the forms of injustice wrought by global governance, and contend for more balanced exercise of global governance power. These findings demand new approaches to equitable arbitration of global power within the international political system are needed, as well as a more just bargain for the global economy, and an informed and active transnational civil society that will hold global governance organisations accountable and ensure their effectiveness in ensuring continued global prosperity, freedom, and equality.

Bibliography

- Bartusevičius, Henrikas. "The inequality–conflict Nexus Re-Examined: Income, Education and Popular Rebellions." *Journal of Peace Research* 51, no. 1 (2014): 35-50.
- Bircan, Çağatay, Tilman Brück, and Marc Vothknecht. "Violent Conflict and Inequality." *Oxford Development Studies* (2016): 1-20.
- Cederman, Lars-Erik, Nils B. Weidmann, and Nils-Christian Bormann. "Triangulating Horizontal Inequality: Toward Improved Conflict Analysis." *Journal of Peace Research* 52, no. 6 (2015): 806-821.
- Deiwiks, Christa, Lars-Erik Cederman, and Kristian Skrede Gleditsch. "Inequality and Conflict in Federations." *Journal of Peace Research* 49, no. 2 (2012): 289-304.
- Doyle, Michael W. and Joseph E. Stiglitz. "Eliminating Extreme Inequality: A Sustainable Development Goal, 2015-2030." *Ethics & International Affairs* 28, no. 1 (Spring 2014, 2014): 5-13.
- Dubrow, Joshua Kjerulf. "Democratic Global Governance, Political Inequality, and the Nationalist Retrenchment Hypothesis." *International Journal of Sociology* 43, no. 2 (2013): 55-69.
- Dutta, Indranil, Paul Madden, and Ajit Mishra. "Group Inequality and Conflict." *The Manchester School* 82, no. 3 (2014): 257-283.

Džuverović, Nemanja. "Inequality-Conflict Research Beyond Neo-Liberal Discourse."

Peace Review 26, no. 4 (2014): 547-555.

Džuverovic, Nemanja and Aleksandar Milosevic. "In Search for More: The Importance of Income Inequality in Conflict Formation and its Policy Implications1." *Politicka*

Misao 50, no. 5 (2013): 173.

Esteban, Joan and Debraj Ray. "Linking Conflict to Inequality and Polarization." *The*

American Economic Review 101, no. 4 (2011): 1345-1374.

Freeland, Chrystia. *Plutocrats: The New Golden Age*. Kindle ed. Doubleday Canada, 2012.

Gurr, Ted Robert. *Why Men Rebel*. Kindle ed. Routledge, 2015.

Hurrell, Andrew. *On Global Order : Power, Values, and the Constitution of International Society: Power, Values, and the Constitution of International Society*. Kindle ed.

Oxford: Oxford University Press - Special, 2007.

———. "Power, Institutions, and the Production of Inequality." In , 33-58. Cambridge: Cambridge University Press, 2005.

Hurrell, Andrew and Ngaire Woods. "Globalisation and Inequality." *Millennium - Journal of International Studies* 24, no. 3 (1995): 447-470.

Jeremic, Vuk and Jeffrey D. Sachs. "The United Nations in the Age of Sustainable Development." *The Economic and Social Review* 45, no. 2 (Summer 2014, 2014): 161-188.

- Kanbur, Ravi and Joseph E. Stiglitz. "Dynastic Inequality, Mobility and Equality of Opportunity." *Journal of Economic Inequality* 14, no. 4 (2016): 419-434.
- Kim, Wonik. "Economic Globalization, Inequality, and Protest Movements Under Capitalist Political Regimes, 1970–2007." *International Journal of Comparative Sociology* 57, no. 5 (2016): 267-287.
- Lee, Cheol-Sung, François Nielsen, and Arthur S. Alderson. "Income Inequality, Global Economy and the State." *Social Forces* 86, no. 1 (2007): 77-111.
- Massey, Douglas S. "Globalization and Inequality: Explaining American Exceptionalism." *European Sociological Review* 25, no. 1 (2009; 2008): 9-23.
- Meininghaus, Esther. "Humanitarianism in Intra-State Conflict: Aid Inequality and Local Governance in Government- and Opposition-Controlled Areas in the Syrian War." *Third World Quarterly* 37, no. 8 (2016): 1454-1482.
- Mills, Melinda. "Globalization and Inequality." *European Sociological Review* 25, no. 1 (2009): 1-8.
- Ortiz, Isabel and Matthew Cummins. *Global Inequality: Beyond the Bottom billion—A Rapid Review of Income Distribution in 141 Countries*: UNICEF Policy and Practice, 2011.
- Peterson, V. Spike. "Informalization, Inequalities and Global Insecurities." *International Studies Review* 12, no. 2 (2010): 244-270.

- Prabhakar. "A Critical Reflection on Globalisation and Inequality: A New Approach to the Development of the South." *African and Asian Studies* 2, no. 3 (2003): 307-345.
- Reich, Robert B. "Making Globalism a Race to the Top (rather than to the Bottom)." *Brown Journal of World Affairs* 12, no. 2 (Winter2005, 2005): 239-245.
- Sachs, Jeffrey D. "Achieving the Sustainable Development Goals." *Journal of International Business Ethics* 8, no. 2 (2015): 53-62,66.
- Saez, Emmanuel and Gabriel Zucman. "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data." *The Quarterly Journal of Economics* 131, no. 2 (2016): 519-578.
- Shorrocks, Anthony, Jim Davies, and Rodrigo Lluberas. "Global Wealth Report 2015." *Credite Suisse, Zürich* (2015): 64.
- Simpson, Graeme. "Ageing, Globalisation and Inequality: The New Critical Gerontology." *Journal of Social Policy* 37, (Apr 2008): 329-331.
- Stiglitz, Joseph E. *The Price of Inequality: How Today's Divided Society Endangers our Future*. New York: WW Norton & Company, 2012.
- Stiglitz, Joseph E. "8. Inequality and Economic Growth." *Political Quarterly* 86, (12/02, 2015): 134-155.
- . "Macroeconomic Fluctuations, Inequality, and Human Development." *Journal of Human Development and Capabilities* 13, no. 1 (2012): 31-58.

———. "The Origins of Inequality, and Policies to Contain it." *National Tax Journal* 68, no. 2 (Jun 2015, 2015): 425-448.

Stubager, Rune. "Inequality in the 'Conflict of Conflicts'? the Impact of Citizen Sophistication on Agenda-Setting Effects." *Political Studies* 63, no. 4 (2015): 793-813.