

CANADIAN GLOBAL AFFAIRS INSTITUTE
INSTITUT CANADIEN DES AFFAIRES MONDIALES

Inequality: Rebuilding Social Cohesion

By Joseph Ingram and Augusto Lopez-Claros

November 2026

POLICY PERSPECTIVE

Inequality: Rebuilding Social Cohesion

by Joseph Ingram and Augusto Lopez-Claros

November 2026



CANADIAN GLOBAL AFFAIRS INSTITUTE
INSTITUT CANADIEN DES AFFAIRES MONDIALES

Prepared for the Canadian Global Affairs Institute
Suite 2700, 525 – 8th Avenue SW., Calgary, AB T2P 1G1
www.cgai.ca

©2026 Canadian Global Affairs Institute

Introduction

For much of the postwar period, discussions of global inequality focused on the enormous differences in living standards between rich and poor countries. These differences remain substantial. Where one is born continues to exercise an extraordinary influence over one's opportunities in life–access to adequate nutrition, good health, education, productive employment and, ultimately, the ability to live a long and fulfilling life. Yet the geography of inequality has changed in an important way. As hundreds of millions of people, particularly in Asia, have escaped poverty and developing economies have grown faster than many advanced economies, some of the gaps between countries have narrowed. As is recorded in the latest data issued by the World Population Review, inequality remains highest amongst the planet's low-income countries where there is greater income concentrated amongst top earners, weak social safety nets and ineffective redistribution policies. What most stands out in the review, however, is that amongst the high-income countries, the United States has the highest Gini coefficient (i.e., highest income inequality), on a par with Cameroon, Bolivia, Haiti and Tanzania.

This matters because inequality close to home is experienced differently from inequality across national borders. People compare their circumstances not primarily with those living thousands of miles away, but with their neighbours, colleagues and fellow citizens–and, increasingly, with the lifestyles continuously displayed on social media. As the recent US congressional elections have so compellingly demonstrated, when economic growth generates conspicuous prosperity for some while prices rise, wages stagnate, public education is impoverished, services deteriorate, housing becomes unaffordable, and economic insecurity persists for others, the consequences extend well beyond the distribution of income. They affect people's perceptions of fairness, their trust in institutions, and their willingness to accept the legitimacy of the economic and political system itself. Recent protests in a number of countries in Europe, South America and South Asia, although arising from very different political, economic and social circumstances, also illustrate how concerns about living standards, economic insecurity, access to quality public education and perceived unfairness can contribute to public discontent.

Poverty and Inequality Are Not the Same

It is important at the outset to distinguish inequality from poverty. Economic growth has lifted hundreds of millions of people out of extreme poverty during recent decades. This is one of the great achievements of modern economic development. But growth that reduces poverty does not necessarily reduce inequality. Indeed, an economy may rapidly grow and poverty may fall while an increasing share of the gains accrues to those already at the upper end of the income distribution.

Nor should the objective be perfect equality of outcomes. Differences in income arising from innovation, entrepreneurship, effort, skills and legitimate risk-taking are an integral part of a dynamic economy. The problem arises when disparities become so large, or opportunities so unevenly distributed, that the circumstances into which people are born largely circumscribe the possibilities open to them throughout their lives. Inequality becomes particularly corrosive when wealth provides privileged access not merely to material goods but to high-quality education, healthcare, political influence, control of the media and public information, and the ability to shape the rules governing the economy.

Current levels of concentration are striking. The *World Inequality Report 2026* estimates that the richest 10% of the world's population receive more income than the remaining 90% combined, while the poorest half receives less than 10% of global income. Wealth is considerably more concentrated still: the richest 10% own roughly three-quarters of global wealth, while the bottom half owns only about 2%. Although Canada has historically occupied a position near the middle of Organization for Economic Cooperation and Development (OECD) countries in terms of income inequality, wealth remains highly concentrated. According to a September 2025 report by Canada's Parliamentary Budget Officer, the wealthiest 5% of Canadian families owned approximately 40% of the country's total net wealth in 2023, while the richest 1% alone accounted for nearly one-quarter. The richest 10% controlled approximately 53% of total net wealth, compared with just 3.3% held by the bottom 40% of families. These figures underscore the considerable concentration of economic resources even in countries with relatively developed systems of social protection.

These global figures conceal substantial differences among countries, demonstrating an important point: very high inequality is not an unavoidable consequence of modern economic life. Societies facing broadly similar technological and global economic forces have produced very different distributive outcomes. Indeed, the economics discipline has itself demonstrated empirically that lower Gini scores (less inequality) are associated with stronger social safety nets, progressive taxation and broader access to quality public education and economic opportunity.

Why Inequality has Grown

Several forces help explain rising inequality within countries. Technological change has increased the rewards to cognitive skills and capital while reducing demand for some forms of routine and lower-skilled labour. Automation and, increasingly, artificial intelligence (AI) promise substantial productivity gains, but may also displace workers in particular occupations and alter the distribution of earnings. Whether these changes lead to higher aggregate unemployment is uncertain and will depend in part on the creation of new jobs, the adaptability of workers and the policy response. Globalization has had similarly complex effects. International trade and investment have contributed enormously to global prosperity and to poverty reduction in many developing countries. But offshoring and increased international

competition have also imposed concentrated costs on particular industries, workers and communities.

Since then, the growing importance of financial assets has allowed those who already possess wealth to benefit disproportionately from rising asset values. High earners save and invest a larger proportion of their income, creating a mechanism through which disparities in income can compound into still larger disparities in wealth. Unlike income, wealth also passes from one generation to another, potentially transforming differences in economic outcomes into persistent differences in opportunity. As Nobel Prize laureate Joe Stiglitz has recently argued what is needed is ending preferential treatment for the highest earners by increasing their tax rates and diminishing incentives to amass extreme amounts of wealth earned from capital gains and dividends.

Government policy can either widen opportunities for people or narrow them. Progressive tax systems, access to quality public education and healthcare, labour-market institutions, social protection, competition policy and the quality of public administration all influence how the gains from economic activity are distributed. As in many northern European states, countries with effective institutions and strong social safety nets have managed to combine high living standards, innovative economies and comparatively low levels of inequality. Others, especially where lobbyists have been instrumental in both designing and promoting policies favourable to corporate interests, as in the United States, have allowed market-generated disparities to become considerably larger after taxes and transfers, contributing further to a sense of alienation amongst a growing majority.

Corruption is especially damaging. Inequalities associated with successful innovation or entrepreneurship are generally perceived differently from wealth accumulated through privileged access to political power, monopolistic practices, tax evasion or corruption. Where citizens conclude that economic success depends less on effort and talent than on connections and influence, inequality becomes not merely an economic problem but a threat to democratic legitimacy.

From Economic Inequality to Social Fragmentation

The consequences are increasingly visible in today's politics. Economic insecurity creates fertile ground for resentment and a search for explanations of declining prospects. Immigrants, minorities, government spending priorities, international institutions or globalization itself can become convenient targets. Social media magnifies these tensions, creating information environments in which anger and misinformation spread rapidly and where citizens increasingly inhabit separate political realities.

There is also an important territorial dimension. Prosperous metropolitan areas integrated into the global economy may coexist with smaller cities, towns and rural communities suffering from industrial decline, increased hardship from extreme weather events, weaker

infrastructure and deteriorating public services, especially in education and health care. Recent evidence points to widening political differences between major metropolitan centres and smaller communities in many advanced democracies. Economic geography is increasingly becoming political geography.

This fragmentation can create a vicious circle. High inequality weakens social cohesion and trust; declining trust makes collective action more difficult; and political polarization, in turn, makes it harder to build coalitions in support of the very policies that could address inequality. A society in which large groups believe that the economic system no longer works for them will eventually find it difficult to sustain confidence in the institutions governing that system.

Gender Inequality: An Enormous Unfinished Agenda

Any serious discussion of inequality must also address gender. Women continue to face disparities in earnings, labour-force participation, access to finance, property rights, education and political representation. These inequalities are not merely questions of justice. They represent an enormous misallocation of human potential.

Greater female participation in the labour force can reduce household income inequality, particularly because additional earnings by women often have the greatest effect in lower-income households. Education is especially powerful. Educating girls and women is associated with lower child mortality, lower fertility, better family health and nutrition, and expanded economic opportunity across generations.

The larger principle is straightforward: societies cannot expect to realize their full economic and social potential while placing barriers on half their population. Policies that expand women's access to education, healthcare, finance, property, employment and positions of leadership should therefore be understood as central components of an inequality strategy, rather than as a separate policy agenda.

Inequality is a Policy Choice

Perhaps the most important lesson from international experience is that governments are not powerless. Market economies generate disparities, but public policy substantially determines whether those disparities widen unchecked or are moderated in ways consistent with economic dynamism and social cohesion.

Progressive taxation remains one of the most powerful instruments available. The objective should not be punitive taxation or the discouragement of enterprise. Poorly designed taxes can weaken incentives, encourage avoidance and push economic activity into the informal sector. Rather, the aim should be tax systems that raise sufficient revenue efficiently, distribute

the burden fairly and command public confidence. That last requirement is crucial. Citizens are more willing to contribute when they believe others–including those at the very top–are contributing fairly and that governments use revenues competently for the public good.

What governments do with those revenues matters just as much. High-quality public education is perhaps the single most powerful instrument for equalizing opportunity over the long term. Universal access to healthcare, including affordable pharmacare, prevents illness from becoming a mechanism through which disadvantage perpetuates itself. Early childhood nutrition and development programs can prevent inequalities from becoming embedded before children even enter school. Training and lifelong learning can help workers adapt to technological change rather than simply bear its costs.

Social protection also has an essential role. Unemployment insurance, pensions, income support and programs assisting workers displaced by technological change or international competition can provide economic security without preventing adjustment. The objective should not be to preserve every existing job indefinitely, but to ensure that economic transformation does not condemn individuals and communities to permanent decline.

A universal basic income (UBI) also deserves serious consideration as part of this policy toolkit. Providing every citizen with a modest and reliable income floor could reduce the insecurity and sense of precariousness that accompany poverty, while giving people greater freedom to pursue education, retraining, entrepreneurship or other productive activities. Critics frequently object that UBI is simply unaffordable. But affordability is ultimately a question of public priorities. Governments already devote vast resources to corporate welfare, military expenditure and to subsidies for energy consumption, including fossil fuels–expenditures that in many cases generate negative social or environmental consequences for which the financial costs are not accounted. Redirecting even a fraction of such resources could help finance a basic income floor, particularly if combined with reforms to existing transfer programs and progressive taxation. UBI should therefore not be dismissed on grounds of cost alone. The more relevant questions are how generous such a floor should be, how it should interact with existing social protections, and how it can be designed to strengthen economic security without weakening incentives to work and participate in society.

Strong labour-market institutions, wider employee participation in enterprise success, including well-designed profit-sharing arrangements, and policies encouraging broader ownership of productive assets can also help ensure that workers participate in productivity gains rather than watching those gains accrue overwhelmingly to capital owners.

None of these policies will succeed, however, without capable and honest government. Corruption diverts resources away from education, health and infrastructure, undermines tax compliance and destroys trust. A professional civil service, transparent public finances, effective competition policy and strong rule-of-law institutions are therefore themselves instruments for reducing inequality.

Rebuilding the Social Contract

The challenge before governments is ultimately larger than redistribution. It is about rebuilding a sense that economic and political institutions operate for the benefit of society as a whole.

This will require better public communication and civic education, greater transparency about who benefits from public policies, and a serious response to the corrosive effects of misinformation and unaccountable social-media platforms. It will also require governments to pay much closer attention to geography, and the impact that geography will have on economic prospects in an era of unprecedented climate change. Public investment cannot be concentrated indefinitely in already prosperous metropolitan centres while smaller cities and rural communities experience declining services, infrastructure and opportunity.

There is no inherent conflict between prosperity and greater equality. Indeed, some of the world's most successful economies and 'happiest' populations demonstrate that progressive taxation, universal access to high-quality public services, strong institutions and competitive markets can coexist with innovation and high standards of living. The question is not whether market economies should reward initiative and success. They should. The question is whether those economies provide genuine opportunity, protect human dignity and distribute the benefits of progress broadly enough to maintain the trust on which stable societies depend.

Excessive inequality is therefore not simply a matter of economics. It is a challenge to social cohesion and, ultimately, to effective democratic governance. Today we are witnessing youth-led demonstrations in an increasing number of democratically governed market economies. When large segments of society conclude that prosperity is reserved for others and that political institutions are incapable of correcting entrenched disadvantage, polarization and mistrust should not surprise us. Indeed, as the decline of history's past great civilizations has shown us, peace is not just the absence of war but also the presence of economic and social justice.

The encouraging conclusion is that these outcomes are not inevitable. Inequality reflects deliberate policy choices–about taxation, education, healthcare, labour markets, gender equality, social protection and the quality of institutions. The rules can either widen opportunities for people or narrow them, and governments have both the empirical evidence and the policy tools to create societies in which prosperity is more broadly shared. The task is to summon the political imagination, the will and the public trust required to use them.

In Canada, the Mark Carney government, now enjoying a parliamentary majority, faces considerable expectations that its economic policies will translate into tangible improvements in employment, income growth, affordability, economic and social mobility, and a natural environment that sustains them, particularly for younger Canadians, who face disproportionately high unemployment and mounting barriers to economic opportunity. Meeting these expectations will require policy priorities that address widening income disparities and ensure that the legitimate pursuit of business competitiveness and economic growth is accompanied by an equally strong commitment to broadly shared prosperity. Failure

to make meaningful progress on these fronts risks deepening public disillusionment, particularly among younger generations, and weakening confidence in democratic institutions. Such an outcome would be especially unfortunate for a government seeking to position Canada as a leading voice in building a coalition of like-minded liberal democracies committed to effective governance, economic opportunity and social inclusion.

About the Author

Joseph Ingram is a former President of The North South Institute, a former World Bank Special Representative to the United Nations and the WTO, and a former Director of The World Bank office in Bosnia and Herzegovina. He is a Fellow of the Canadian Global Affairs Institute.

Augusto Lopez-Claros is the Executive Director of the Global Governance Forum, a Swiss-based nonprofit foundation. He has written extensively on issues of international cooperation. His latest book, Global Governance and International Cooperation: Managing Global Catastrophic Risks in the 21st Century, co-edited with Princeton´s Richard Falk, was published by Routledge in 2024.

Canadian Global Affairs Institute

The Canadian Global Affairs Institute focuses on the entire range of Canada's international relations in all its forms including trade investment and international capacity building. Successor to the Canadian Defence and Foreign Affairs Institute (CDFAI, which was established in 2001), the Institute works to inform Canadians about the importance of having a respected and influential voice in those parts of the globe where Canada has significant interests due to trade and investment, origins of Canada's population, geographic security (and especially security of North America in conjunction with the United States), social development, or the peace and freedom of allied nations. The Institute aims to demonstrate to Canadians the importance of comprehensive foreign, defence and trade policies which both express our values and represent our interests.

The Institute was created to bridge the gap between what Canadians need to know about Canadian international activities and what they do know. Historically Canadians have tended to look abroad out of a search for markets because Canada depends heavily on foreign trade. In the modern post-Cold War world, however, global security and stability have become the bedrocks of global commerce and the free movement of people, goods and ideas across international boundaries. Canada has striven to open the world since the 1930s and was a driving factor behind the adoption of the main structures which underpin globalization such as the International Monetary Fund, the World Bank, the World Trade Organization and emerging free trade networks connecting dozens of international economies. The Canadian Global Affairs Institute recognizes Canada's contribution to a globalized world and aims to inform Canadians about Canada's role in that process and the connection between globalization and security.

In all its activities the Institute is a charitable, non-partisan, non-advocacy organization that provides a platform for a variety of viewpoints. It is supported financially by the contributions of individuals, foundations, and corporations. Conclusions or opinions expressed in Institute publications and programs are those of the author(s) and do not necessarily reflect the views of Institute staff, fellows, directors, advisors or any individuals or organizations that provide financial support to, or collaborate with, the Institute.