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RESEARCH 07

An Economy of Equality

Institutions, Participation and the Distribution of Value

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Abstract

Equality is often discussed as a question of distribution after economic activity has taken place: markets generate income and wealth, governments tax and transfer, and the resulting distribution is judged more or less equal. This sequence is analytically incomplete. Economic outcomes are produced inside institutions. Property rights, education, healthcare, access to capital, labour law, competition, corporate governance, care systems, technology, taxation and social protection influence who can participate in economic life, which activities are rewarded, how bargaining power is distributed, who owns productive assets and who bears risk. The distribution of value is therefore not merely the final stage of economic activity; it is embedded in the rules through which value is created.

This study develops the concept of an Economy of Equality as the institutional synthesis of the Equality at Large research programme. It does not define equality as identical income, wealth or consumption. Rather, an Economy of Equality is understood as an economic order in which people possess broad capabilities to participate, inherited or ascriptive characteristics do not systematically determine access to productive opportunity, claims on value are not detached from the institutions that generate value, and economic risks do not routinely translate into irreversible losses of capability or intergenerational disadvantage. The approach therefore joins primary distribution, redistribution and social investment within a single analytical framework.

Recent evidence illustrates why such integration is necessary. Nearly 700 million people remained in extreme poverty in 2024 and around 3.5 billion lived below \$6.85 a day; progress in shared prosperity had stalled.¹ The global labour income share fell by 0.6 percentage points between 2019 and 2022 and subsequently remained flat.² At the same time, wage inequality declined in many countries, demonstrating that distributional dynamics are neither uniform nor irreversible.³ More than half of the world population is now covered by at least one social protection benefit, yet 3.8 billion people remain entirely unprotected.⁴ Economic opportunity is also constrained by legal and institutional gaps: the World Bank's expanded Women, Business and the Law framework reported a global legal-framework score of 64.2 out of 100 in 2024 and substantial gaps between formal law and implementation.⁵

The paper proposes an Economy of Equality Institutional Cycle organised around seven connected stages - Foundations, Access, Participation, Value Creation, Distribution, Security and Renewal - conditioned by Power, Ownership, Competition, Technology, Public Institutions and Intergenerational Transmission. The central argument is that equality is most durable when these stages reinforce one another. Redistribution remains

¹World Bank, Poverty, Prosperity, and Planet Report 2024: Pathways Out of the Polycrisis (Washington, DC: World Bank, 2024), "Main Messages."

²International Labour Organization, World Employment and Social Outlook: September 2024 Update (Geneva: ILO, 2024), 1–3.

³International Labour Organization, Global Wage Report 2024–25: Is Wage Inequality Decreasing Globally? (Geneva: ILO, 2024), Executive Summary, 4–6.

⁴International Labour Organization, World Social Protection Report 2024–26: Universal Social Protection for Climate Action and a Just Transition (Geneva: ILO, 2024), Executive Summary, 1–2.

⁵World Bank, Women, Business and the Law 2024 (Washington, DC: World Bank, 2024), Executive Summary, xvii–xxvi, <https://doi.org/10.1596/978-1-4648-2063-2>.

indispensable, but it is not a substitute for institutions that broaden capabilities, productive participation, ownership and bargaining power before final incomes are observed. Conversely, broad participation cannot replace social protection, progressive public finance or risk sharing. An Economy of Equality is therefore neither a single policy nor a fixed economic model. It is a criterion for evaluating how institutions distribute opportunity, power, reward and security across the economic life cycle.

Keywords: equality; inequality; institutions; inclusive growth; labour income; ownership; taxation; social protection; capabilities; participation; competition; artificial intelligence; intergenerational mobility

1. Introduction

The previous studies in this research series moved from a general definition of equality towards the mechanisms through which unequal life chances are produced. Equality at Large distinguished rights, resources, opportunities, capabilities, participation and outcomes. Social Equality showed how income and wealth become conditions of life. Equality of Opportunity examined the lottery of birth. Gender Equality and Racial Equality analysed two major institutional dimensions of unequal participation. Intersectional Equality then demonstrated that these mechanisms can combine and compound.

The remaining question is economic architecture. If unequal outcomes are generated not only by individual choices but also by unequal starting resources, institutional gateways, bargaining positions, ownership and exposure to risk, where in the economic process should equality be analysed? A narrow answer focuses on redistribution after market incomes are generated. A broader answer recognises that the market distribution itself depends on institutions.

Douglass North defined institutions as the humanly devised constraints that structure political, economic and social interaction.⁶ Acemoglu, Johnson and Robinson similarly emphasised institutions as a fundamental cause of long-run economic development because institutions shape incentives, investment and the distribution of political and economic power.⁷ From an equality perspective, this means that there is no analytically pure “pre-institutional” market outcome. Contract, property, competition, labour relations, finance, education and corporate forms are themselves institutional arrangements.

This observation does not imply that every difference in economic outcome is unjust, or that all economic institutions should pursue equality at the expense of productivity, innovation or freedom. Incentives matter. Risk-taking matters. Scarcity matters. Individual effort and preference matter. The question is more precise: which differences are necessary or productive, which reflect unequal capability or bargaining power, which reproduce inherited advantage, and which institutions can improve both participation and performance?

⁶Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990), 3–10.

⁷Daron Acemoglu, Simon Johnson, and James A. Robinson, “Institutions as a Fundamental Cause of Long-Run Growth,” in *Handbook of Economic Growth*, vol. 1A, ed. Philippe Aghion and Steven N. Durlauf (Amsterdam: Elsevier, 2005), 386–394, [https://doi.org/10.1016/S1574-0684\(05\)01006-3](https://doi.org/10.1016/S1574-0684(05)01006-3).

An Economy of Equality is therefore proposed as an analytical framework rather than an ideological blueprint. It evaluates an economy by asking whether people can acquire capabilities, gain access to productive institutions, participate in value creation, obtain reasonable claims on the value they help create, withstand predictable risks and transmit opportunity rather than disadvantage to the next generation.

2. Scope and Method

This study is an interdisciplinary conceptual synthesis supported by empirical evidence from economics, political economy, labour studies, development research and public policy. Its theoretical foundations include North on institutions, Sen on capabilities, Rawls on fair opportunity, Atkinson and Piketty on inequality and capital, Meade on property ownership, and Stiglitz, Sen and Fitoussi on the measurement of economic and social progress. Empirical evidence is drawn principally from the World Bank, International Labour Organization, OECD, United Nations Development Programme and Women, Business and the Law programme.

The analysis uses three distinctions. The first is between primary distribution and redistribution. Primary distribution refers to the incomes and returns generated through employment, ownership, enterprise and market exchange before most taxes and transfers. Redistribution changes disposable resources through taxation, cash transfers and public provision. The distinction is useful, but the paper rejects the idea that primary distribution is institution-free.

The second distinction is between equality of outcome and equality of participation. Identical outcomes are neither feasible nor required for an Economy of Equality. The central concern is whether people possess substantive opportunities to contribute and whether institutional structures systematically disconnect reward, security or voice from participation.

The third distinction is between universal institutions and targeted correction. Universal education, health, social insurance, rule of law and competitive markets can broaden opportunity without being group-specific. Targeted interventions may nevertheless be necessary when a particular mechanism affects a defined population. The analytical priority is to identify the mechanism rather than assume that universal or targeted policy is always superior.

3. From Redistribution to Institutional Distribution

Modern welfare states have demonstrated the capacity of taxes and transfers to reduce disposable-income inequality. Redistribution is therefore a central component of equality. But a focus exclusively on post-tax income can conceal the institutional processes that determine market income, wealth, bargaining power and risk exposure before redistribution begins.

Atkinson emphasised that inequality is affected by technological change, wage-setting institutions, capital ownership, taxation and public policy rather than by one autonomous market mechanism.⁸ Piketty's historical analysis similarly placed the accumulation and

⁸Anthony B. Atkinson, *Inequality: What Can Be Done?* (Cambridge, MA: Harvard University Press, 2015), chaps. 1–2.

transmission of capital at the centre of long-run distribution.⁹ The OECD’s 2024 report on Taxation and Inequality notes that taxation is one among a wider set of tools and explicitly identifies labour-market participation, minimum wages, education, healthcare and competition policy as relevant to distribution.¹⁰

This broader perspective can be described as institutional distribution. It asks how rules shape the economic claims people acquire in the first place. A worker’s wage depends partly on productivity, but also on labour demand, bargaining institutions, competition, occupational licensing, employer concentration and legal standards. A founder’s return depends on innovation and risk, but also on access to finance, intellectual-property rules, market structure and taxation. Wealth reflects saving and investment, but also inheritance, housing institutions, asset-price dynamics and differential access to high-return assets.

Redistribution can compensate for some of these differences. It cannot fully substitute for participation in the processes that generate income and wealth. Nor can primary-distribution reform substitute for redistribution, because illness, disability, unemployment, care, ageing and macroeconomic shocks create risks that productive participation alone cannot eliminate. An Economy of Equality must therefore integrate both.

4. The Economy of Equality Institutional Cycle

The framework proposed here treats economic equality as a cycle rather than a final distribution. Seven stages connect human capability to economic participation and back to the next generation.

Figure 1. Economy of Equality Institutional Cycle

FOUNDATIONS	ACCESS	PARTICIPATION	VALUE CREATION	DISTRIBUTION	SECURITY	RENEWAL
Rights, education, health, infrastructure	Markets, capital, technology, institutions	Work, enterprise, care, civic life	Production, innovation, services, knowledge	Wages, returns, taxes, transfers	Insurance against shocks and life-cycle risks	Investment in people, assets and future generations
Cross-cutting conditions: POWER • OWNERSHIP • COMPETITION • TECHNOLOGY • PUBLIC INSTITUTIONS • INTERGENERATIONAL TRANSMISSION						

The cycle begins with Foundations: rights, education, health, infrastructure and basic security. These shape Access to labour markets, finance, technology and institutions. Access permits Participation through work, enterprise, care and other socially productive activity. Participation contributes to Value Creation. Institutions then determine Distribution - wages, profits, returns, taxes and transfers. Security determines whether shocks destroy capabilities or are absorbed through savings, insurance and social protection. Renewal converts current outcomes into future capabilities through investment in people, public goods and intergenerational transfers.

Power and ownership cut across every stage. Bargaining power affects wages and working conditions. Market power affects prices, entry and the division of rents.

⁹Thomas Piketty, Capital in the Twenty-First Century, trans. Arthur Goldhammer (Cambridge, MA: Harvard University Press, 2014), parts II–III.
¹⁰OECD, Taxation and Inequality (Paris: OECD Publishing, 2024), 9–10.

Ownership determines access to capital income and collateral. Technology changes productivity and the allocation of tasks. Public institutions define rights and provide collective goods. Intergenerational transmission links the end of one cycle to the beginning of another.

The model therefore differs from a simple sequence from growth to redistribution. It permits an economy to be assessed at multiple points: whether foundations are broadly available; whether access barriers are arbitrary; whether participation is productive and dignified; whether value creation is contestable; whether distribution reflects extreme asymmetries of power; whether security protects capability; and whether renewal widens or narrows opportunity for the next generation.

Table 1. The institutional architecture of an Economy of Equality

Stage	Core question	Typical inequality mechanism	Institutional domains
Foundations	Can people develop basic capabilities?	Unequal education, health, infrastructure or legal status	Schools, healthcare, housing, transport, digital access, rule of law
Access	Can people reach productive opportunities?	Credit constraints, discrimination, credential barriers, network exclusion	Finance, recruitment, licensing, information, mobility
Participation	Can people contribute on meaningful terms?	Informality, unpaid care constraints, unsafe or insecure work	Labour law, care systems, workplace institutions, entrepreneurship
Value creation	Can new value be created and markets contested?	Entry barriers, monopoly, weak diffusion of technology	Competition, innovation, industrial ecosystems, skills
Distribution	How are claims on value allocated?	Weak bargaining, concentrated capital income, unequal tax burdens	Wages, collective bargaining, ownership, taxation, transfers
Security	Can people absorb shocks without losing capability?	Illness, unemployment, climate shocks, disability, old age	Insurance, social protection, savings, public services
Renewal	Do outcomes widen future opportunity?	Inherited wealth gaps, unequal childhood investment, spatial segregation	Early years, education, inheritance, public investment, housing

5. Foundations: Rights, Education, Health and Infrastructure

Economic participation depends upon capabilities that markets do not create for each person at the moment of exchange. Literacy, health, mobility, digital access, safety and legal status are accumulated before many market transactions occur. Sen's capability approach is therefore economically relevant as well as normatively important: resources matter through the real freedoms they make possible.¹¹

The 2024 Poverty, Prosperity, and Planet report illustrates the continuing scale of foundational deprivation. Almost 700 million people, 8.5 per cent of the global population, lived below the \$2.15 extreme-poverty line, while around 3.5 billion lived below \$6.85 a day.¹² The report stresses that better labour incomes must be combined with investment in education, infrastructure and basic services if people in poverty are to contribute to and benefit from growth.

¹¹Amartya Sen, *Inequality Reexamined* (Oxford: Clarendon Press, 1992), 39–55.

¹²World Bank, *Poverty, Prosperity, and Planet Report 2024*, “Main Messages.”

Foundational institutions are economically productive because they enlarge the pool of people able to participate. Education raises skills; health sustains work and learning; transport connects workers to jobs; digital infrastructure connects firms and households to information and markets. Their distributional effect operates before wages are observed. They therefore belong inside, not outside, the analysis of economic equality.

The same principle applies to formal rights. Women, Business and the Law 2024 demonstrates that equal opportunity cannot be inferred from a narrow set of workplace statutes. Under its expanded framework, the global average legal-framework score was 64.2 out of 100, with particularly large gaps in safety, entrepreneurship and childcare; almost all economies also exhibited gaps between legal rules and supportive implementation frameworks.¹³ Rights are foundational only when institutions make them usable.

6. Work and the Distribution of Labour Income

For most households, labour remains the principal source of income. The distribution of labour income therefore links productive participation directly to social equality. Yet the relevant issue is not only the unemployment rate. Job quality, hours, informality, wage-setting, bargaining power, occupational mobility and access to productivity-enhancing technology all affect the value of participation.

The ILO reported in September 2024 that the global labour income share fell by 0.6 percentage points between 2019 and 2022 and then remained flat. Had the labour share remained at its 2004 level, labour income would have been approximately US\$2.4 trillion higher in 2024.¹⁴ This does not establish that any particular division between labour and capital is optimal. It does show that productivity and output growth do not automatically translate into a constant claim on value for workers.

Wage inequality has moved in a more complex direction. The Global Wage Report 2024-25 found that approximately two-thirds of a sample of 72 countries experienced declining wage inequality since the beginning of the century, while substantial differences remained. In 2021 the bottom 10 per cent of global wage workers earned less than US\$250 PPP per month for full-time work, while the top 10 per cent earned above US\$4,199 PPP.¹⁵ Real wage growth recovered in 2023 and 2024 after the inflation shock, but the report also found a persistent gap between labour productivity and real wage growth in high-income countries over the longer period 1999-2024.¹⁶

These findings caution against simple narratives. Labour-market inequality can fall along one dimension while the labour share declines along another. An Economy of Equality therefore requires a dashboard rather than a single labour indicator. Employment rates, wage dispersion, labour share, informality, job security, hours, training, worker voice and mobility describe different parts of the distributional process.

¹³World Bank, Women, Business and the Law 2024, Executive Summary, xvii–xxvi.

¹⁴International Labour Organization, World Employment and Social Outlook: September 2024 Update, 1–3.

¹⁵International Labour Organization, Global Wage Report 2024–25, Executive Summary, 4–6.

¹⁶Ibid., 3–4.

7. Bargaining Power, Competition and Market Structure

Economic rewards are influenced by bargaining and market structure as well as individual productivity. Where workers have few alternative employers, suppliers face dominant buyers, or consumers face concentrated markets, prices and wages can contain rents unrelated to productive contribution. Conversely, intense competition without adequate labour or social institutions can shift risk towards workers and small firms.

The equality question is therefore not simply whether markets are more or less regulated. It is whether institutions keep markets contestable while preventing bargaining asymmetries from converting into durable hierarchy. Competition policy, labour institutions and corporate governance address different sides of the same problem. The OECD notes that competition policies reducing market power can complement tax and social policies in mitigating concentration.¹⁷

This also explains why productivity is not sufficient as a wage-setting principle in practice. Individual productivity is often difficult to observe separately from team production, capital, technology, firm-specific rents and market position. Wage institutions allocate part of this jointly produced value. The appropriate empirical question is therefore how different institutional arrangements affect both productivity and the distribution of gains.

8. Ownership, Wealth and the Claims on Capital

Income from ownership differs from labour income because ownership can generate claims on value without requiring equivalent current labour participation. This is not inherently problematic: capital finances productive investment, bears risk and can support innovation. The equality issue concerns the distribution of ownership and the extent to which access to capital income is concentrated by inheritance or prior wealth.

Meade argued more than sixty years ago that the distribution of property ownership is central to the coexistence of efficiency and equality.¹⁸ Contemporary data reinforce the relevance of that insight. The OECD reported in 2024 that the wealthiest 0.001 per cent globally increased their share of personal wealth from about 3.3 per cent in 1995 to 6.9 per cent in 2022, while the bottom half held about 1.9 per cent.¹⁹

An Economy of Equality does not require identical ownership. It raises a different question: can people build assets and acquire claims on economic growth, or are high-return assets systematically inaccessible without inherited wealth? Housing, pensions, business equity, employee ownership, diversified savings and public or collective investment vehicles are institutionally different mechanisms through which households can hold assets. Their efficiency, risk and distributional effects differ and must be assessed empirically.

Ownership also changes resilience. Two households with the same annual income can have very different freedom if one has savings, housing equity or pension assets and the other has debt. Wealth is therefore simultaneously a claim on future income, a buffer against shocks and a mechanism of intergenerational transmission.

¹⁷OECD, Taxation and Inequality, 9–10.

¹⁸James E. Meade, *Efficiency, Equality and the Ownership of Property* (London: George Allen & Unwin, 1964), chaps. 1–3.

¹⁹OECD, Taxation and Inequality, 8–9.

9. Access to Capital and Entrepreneurship

Entrepreneurship is often treated as an arena in which opportunity is created through individual initiative. Initiative matters, but the ability to act on an idea depends on finance, collateral, networks, regulation, market access and tolerance for failure. Wealth inequality can therefore become opportunity inequality through capital markets.

The OECD's Financing SMEs and Entrepreneurs 2024 documented a sharp increase in the cost of SME finance and a significant decline in SME lending following monetary tightening. It also noted that women-led and minority-owned businesses, which already tend to encounter greater difficulty accessing venture capital, were disproportionately affected.²⁰

A distributional analysis of entrepreneurship should therefore distinguish equal permission to start a business from equal practical capacity to finance one. Public loan guarantees, development banks, venture capital, crowdfunding, collateral rules and bankruptcy regimes are different institutional responses with different risk allocations. The equality criterion is not that every business receives finance, but that access to viable finance is not needlessly determined by inherited wealth, social identity or arbitrary information barriers.

10. Care and the Productive Economy

The economic system relies on care, yet much care is unpaid or weakly remunerated. This creates a measurement problem and a distributional problem. Time spent caring for children, older people or family members produces capabilities and social reproduction, but it can reduce paid employment, pension accumulation, training and career progression for the person providing the care.

The Gender Equality research demonstrated that the organisation of care is one of the main channels connecting formal rights to actual economic participation. The ILO's Care at Work framework likewise treats care leave and care services as labour-market and social-infrastructure institutions, not merely private family choices.²¹

An Economy of Equality must therefore recognise a boundary that conventional national accounts only partially capture: some economically essential activity is not priced through markets. This does not mean that all care should be monetised. It means that policy analysis should examine how care costs and time are allocated and whether that allocation systematically restricts the capabilities of one group to participate in paid work, entrepreneurship or public life.

11. Taxation, Redistribution and Public Revenue

Even an economy with broad capabilities, competitive markets and widely distributed ownership will generate unequal outcomes and encounter risks that cannot be addressed solely through primary distribution. Taxation and transfers therefore remain integral to an Economy of Equality.

²⁰OECD, Financing SMEs and Entrepreneurs 2024: An OECD Scoreboard (Paris: OECD Publishing, 2024), Executive Summary, <https://doi.org/10.1787/fa521246-en>.

²¹International Labour Organization, Care at Work: Investing in Care Leave and Services for a More Gender Equal World of Work (Geneva: ILO, 2022), Executive Summary.

Tax systems serve at least four distributional functions. They finance public goods that shape capabilities; they alter disposable income; they influence incentives and asset allocation; and they determine how the costs of collective institutions are distributed. These functions can reinforce or conflict with one another. A more progressive tax can reduce inequality but may affect saving, investment or labour supply; a consumption tax may raise stable revenue but be regressive relative to current income unless combined with transfers or differentiated design.

The OECD's 2024 review emphasises both the capacity of tax systems to mitigate inequality and the importance of efficiency and growth effects. It also documents persistent concentration of income and wealth and notes that differential treatment of labour, capital and asset classes can affect both progressivity and incentives.²² The analytical implication is that equality cannot be inferred from a statutory rate alone. Tax bases, enforcement, avoidance opportunities, incidence and the use of revenue all matter.

Redistribution also has an intergenerational dimension. Taxes that finance high-quality education, childcare, health and infrastructure can influence future primary distribution by changing capabilities and opportunity. The boundary between redistribution and social investment is therefore porous.

12. Social Protection and the Distribution of Risk

Economic equality is not only a distribution of expected income; it is also a distribution of risk. Illness, unemployment, disability, family formation, old age, technological displacement and climate events can reduce income while simultaneously increasing need. Private insurance can cover some risks, but information asymmetry, correlated shocks and low purchasing power limit purely private provision.

The ILO's World Social Protection Report 2024-26 records a historic milestone: 52.4 per cent of the world population is covered by at least one social protection benefit, up from 42.8 per cent in 2015. Yet 47.6 per cent - 3.8 billion people - remain entirely unprotected.²³ Coverage also differs sharply by national income level and by population group.

Security matters for efficiency as well as welfare. A household that can survive unemployment may search for a better job rather than accept the first available one. A worker with health coverage can preserve productive capacity. A founder with limited downside risk may be more willing to experiment. At the same time, poorly designed insurance can weaken incentives or become fiscally unsustainable. The institutional problem is therefore risk sharing, not the elimination of risk.

13. Technology, Artificial Intelligence and the Distribution of Productivity Gains

Technological change can widen or narrow inequality depending on which tasks are automated, who owns the technology, who can access complementary skills and tools, how competitive product markets are, and how productivity gains are shared. Artificial intelligence makes these distributional questions unusually visible because it can affect both high-skill cognitive work and routine tasks.

²²OECD, Taxation and Inequality, 4-10.

²³International Labour Organization, World Social Protection Report 2024-26, Executive Summary, 1-2.

Evidence available by late 2024 did not support a simple conclusion that AI had already increased wage inequality. OECD research across 19 countries found no indication that AI exposure increased wage inequality between occupations over 2014-2018 and some evidence of lower within-occupation wage inequality.²⁴ At the same time, OECD work on socio-demographic exposure warned that workers without tertiary education, women and older workers could lose out if they have less access to AI-related jobs or productivity-enhancing tools.²⁵

This distinction is central to an Economy of Equality. Technology is not distributionally predetermined. The same tool can augment less experienced workers, increase managerial monitoring, displace tasks, create new occupations, or increase returns to owners of scarce data and computing assets. Institutions governing skills, competition, data, intellectual property, worker voice and ownership affect which pathway dominates.

The appropriate equality test for new technology is therefore not whether every worker gains equally. It is whether productivity-enhancing technologies remain sufficiently accessible, whether transition costs are manageable, whether new rents become excessively concentrated, and whether people can acquire the capabilities required to adapt.

14. Climate, Place and the Distribution of Transition Costs

Climate change connects economic equality to geography and time. Households differ in exposure to heat, flood, drought and energy prices; workers differ in the carbon intensity of their occupations; regions differ in their dependence on particular industries. Policies that reduce future climate risk can therefore impose concentrated short-term costs.

The World Bank estimated in 2024 that one in five people faces the risk of an extreme weather event during their lifetime and stressed the need to combine poverty reduction, resilience and lower-emission growth.²⁶ The ILO similarly argues that social protection can support climate adaptation and cushion adverse transition effects, making ambitious climate policy more socially and politically feasible.²⁷

An Economy of Equality therefore cannot treat environmental sustainability as an external objective. If climate shocks destroy housing, health, employment or local infrastructure, they become mechanisms of inequality. Conversely, if transition policies impose costs on particular workers or regions without mechanisms for adaptation, climate policy itself can widen inequality. The relevant institutional question is how to distribute transition costs while preserving incentives for technological change.

²⁴Alexandre Georgieff, “Artificial Intelligence and Wage Inequality,” OECD Artificial Intelligence Papers, no. 13 (Paris: OECD Publishing, 2024), <https://doi.org/10.1787/bf98a45c-en>.

²⁵Marguerita Lane, “Who Will Be the Workers Most Affected by AI? A Closer Look at the Impact of AI on Women, Low-Skilled Workers and Other Groups,” OECD Artificial Intelligence Papers, no. 26 (Paris: OECD Publishing, 2024), <https://doi.org/10.1787/14dc6f89-en>.

²⁶World Bank, Poverty, Prosperity, and Planet Report 2024, “Main Messages.”

²⁷International Labour Organization, World Social Protection Report 2024–26, Executive Summary, 1–2.

15. Evidence Across the Institutional Cycle

Table 2. Selected evidence relevant to an Economy of Equality

Domain	Recent evidence	What it reveals	Source
Poverty and shared prosperity	~700m people in extreme poverty in 2024; ~3.5bn below \$6.85/day; shared-prosperity progress stalled.	Growth alone does not describe distribution or capability.	World Bank 2024
Labour income share	Global labour share fell 0.6 percentage points, 2019-2022, then remained flat.	The division of value between labour and capital can shift even when employment recovers.	ILO 2024
Wages	Two-thirds of a 72-country sample saw wage inequality decline since the early 2000s, but global wage gaps remain large.	Distribution can improve within labour markets while remaining highly unequal overall.	ILO 2024
Social protection	52.4% covered by at least one benefit; 3.8bn remain entirely unprotected.	Risk-sharing institutions are expanding but remain highly unequal.	ILO 2024
Gendered economic opportunity	Global WBL 2.0 legal-framework score 64.2/100; implementation gaps widespread.	Formal rights require supportive institutions to become usable economic opportunity.	World Bank 2024
SME finance	Borrowing costs rose and SME lending fell; women-led and minority-owned firms faced disproportionate financing difficulties.	Access to capital can reproduce prior resource inequality.	OECD 2024
AI and work	No clear evidence yet of higher between-occupation wage inequality from AI; access to AI opportunities is uneven across worker groups.	Technology's distributional effect depends on access, complementarity and institutions.	OECD 2024

The evidence is deliberately heterogeneous. It shows why an Economy of Equality cannot be measured by one statistic. Poverty, wage dispersion, labour share, legal opportunity, capital access and social protection describe different institutional stages. Improvement in one dimension can coexist with deterioration in another.

16. Measurement Beyond a Single Inequality Indicator

A policy framework becomes operational only when it can be measured. The Gini coefficient remains useful, but it cannot show whether inequality originates in childhood capability, labour markets, wealth ownership, capital access or exposure to risk. Nor does GDP per capita reveal who participates in growth or whether people can withstand shocks.

The Stiglitz-Sen-Fitoussi Commission argued that economic performance should be assessed alongside household material conditions, quality of life, distribution and sustainability.²⁸ UNDP's human development approach similarly extends evaluation beyond income to health, education and agency. More recent distributional national-accounts work seeks to reconcile macroeconomic totals with household distributions rather than treating aggregates and inequality as separate statistical worlds.

The Economy of Equality framework therefore requires indicators at each stage. Foundations can be measured through health, education, housing and digital access.

²⁸Joseph E. Stiglitz, Amartya Sen, and Jean-Paul Fitoussi, Report by the Commission on the Measurement of Economic Performance and Social Progress (Paris, 2009), 11–18.

Access can be measured through employment transitions, credit approval, business formation and discriminatory barriers. Participation through employment, hours, job quality, entrepreneurship and care. Distribution through wages, labour share, profits, wealth and taxes. Security through coverage and adequacy of social protection. Renewal through child outcomes, intergenerational mobility, wealth transmission and public investment.

Table 3. A measurement dashboard for an Economy of Equality

Dimension	Illustrative indicators	Why a single average is insufficient
Foundations	Learning, health, housing quality, transport, digital access	Average provision can conceal social and geographic access gaps.
Access	Employment entry, occupational mobility, credit, business finance, discrimination	Access may be formally equal while practical gateways differ.
Participation	Employment, informality, hours, care time, training, entrepreneurship	Participation quality and constraints matter as much as participation rate.
Value creation	Productivity, firm entry, innovation diffusion, market concentration	High productivity can coexist with concentrated rents or weak diffusion.
Distribution	Median wages, wage ratios, labour share, capital income, wealth, tax incidence	Income and wealth can move differently; pre- and post-tax measures answer different questions.
Security	Social protection coverage, replacement rates, savings, debt, shock resilience	Coverage does not imply adequacy; private wealth changes resilience.
Renewal	Child poverty, early-years investment, mobility, inheritance, regional opportunity	Current outcomes become next generation's starting conditions.

17. Design Principles and Trade-offs

The framework does not generate one mechanically correct policy package. Institutional design involves trade-offs, and different countries possess different administrative capacity, demographic structure, fiscal space and social preferences. The value of the framework lies in making those trade-offs explicit.

17.1 Equality and incentives

Rewards for innovation, skill acquisition, effort and risk-taking can increase productive activity. Excessive compression of returns can therefore reduce incentives. Yet large returns can also arise from scarcity, monopoly, inheritance or institutional privilege rather than productive contribution. An equality analysis should distinguish incentives that expand value creation from rents that restrict access or competition.

17.2 Universality and targeting

Universal systems can reduce stigma, simplify administration and create broad political support. Targeted systems can direct scarce resources towards people with greater need. Targeting can also create cliffs, high effective marginal tax rates or administrative exclusion. The appropriate balance depends on the benefit, the distribution of need and state capacity.

17.3 Security and moral hazard

Insurance is valuable precisely because people cannot predict all adverse events. Generous insurance may nevertheless alter behaviour. The relevant design question is not whether incentives exist, but how to protect capability while preserving reasonable incentives for employment, saving, rehabilitation or risk management.

17.4 Competition and scale

Large firms can exploit economies of scale, invest in research and provide global platforms. Concentration can also weaken entry, bargaining or consumer choice. Competition policy must therefore distinguish efficient scale from durable market power, especially where network effects or data create self-reinforcing advantages.

17.5 Redistribution and fiscal sustainability

Public investment and social protection require revenue. Unsustainable commitments eventually undermine both economic stability and social protection. Fiscal sustainability is therefore part of equality across time: transferring excessive liabilities to future taxpayers can itself create intergenerational inequality. Conversely, underinvestment in education, infrastructure or climate resilience can also shift large costs forward.

18. The Economy of Equality as a Synthesis

The seven studies together suggest a common interpretation of equality. Equality is not sameness. It is the institutional condition under which differences in human characteristics and choices do not become predictable hierarchies of dignity, opportunity, capability and participation.

Social inequality demonstrates that income and wealth become housing, health, education, security and status. Equality of opportunity demonstrates that the circumstances of birth alter later prospects. Gender and racial equality show how formal rights can coexist with institutional barriers. Intersectionality shows that these mechanisms can interact. The Economy of Equality places these findings inside the process of production and distribution itself.

The key analytical shift is from asking only how much inequality remains after taxes and transfers to asking how the entire economic cycle distributes capability, access, participation, power, ownership, reward, risk and future opportunity. This does not make redistribution less important. It places redistribution within a wider system.

Three forms of distribution are consequently relevant. Institutional distribution shapes who can enter, bargain, own and create value. Fiscal redistribution changes resources through taxes, transfers and public services. Intergenerational distribution determines how present outcomes become future starting conditions. Durable equality requires attention to all three.

Table 4. Three layers of distribution

Layer	Primary question	Examples	Failure mode
Institutional distribution	How do rules shape participation and initial claims on value?	Education, competition, labour law, finance, ownership, care, technology	Opportunity and bargaining power become concentrated before taxes.
Fiscal redistribution	How are disposable resources and public goods financed and allocated?	Taxes, transfers, health, education, social insurance	Market inequality is insufficiently moderated or incentives are poorly designed.
Intergenerational distribution	How do current outcomes become future starting conditions?	Child development, inheritance, housing, public debt, climate, infrastructure	Advantages and disadvantages compound across generations.

19. Conclusion

An Economy of Equality is not an economy in which every person earns the same income, owns the same assets or makes the same choices. Such a definition would confuse equality with uniformity and ignore the role of effort, preference, scarcity, innovation and risk.

It is better understood as an institutional order in which people possess broad capabilities to participate; access to productive opportunity is not systematically governed by circumstances outside individual control; markets remain sufficiently open for value creation and mobility; bargaining and ownership do not become self-reinforcing sources of domination; rewards can differ without severing the connection between contribution, opportunity and social participation; and predictable risks do not routinely destroy human capability.

The evidence reviewed in this study shows both progress and unfinished work. Wage inequality has fallen in many countries, yet labour's share of income has weakened. Extreme poverty has declined dramatically over the long run, yet progress has slowed and billions remain below higher poverty thresholds. Social protection now reaches a majority of humanity for the first time, yet billions remain uncovered. Legal equality has advanced, yet implementation gaps persist. Technology creates new productivity possibilities, yet access to those gains is uneven.

These patterns do not support a single policy prescription. They support a systems view. Equality can be strengthened at the foundations through education, health and rights; at gateways through finance and fair access; inside markets through competition and bargaining institutions; through wider ownership and asset formation; after market outcomes through taxation and transfers; and across time through social protection, public investment and intergenerational renewal.

The Economy of Equality Institutional Cycle developed here captures this interaction as Foundations → Access → Participation → Value Creation → Distribution → Security → Renewal, conditioned throughout by Power, Ownership, Competition, Technology, Public Institutions and Intergenerational Transmission.

The central proposition of the Equality at Large research programme can therefore be stated simply. Equality is most durable when it is not confined to the end of the economic process. It must be reflected in the institutions through which people acquire capabilities, enter economic life, create value, share in its rewards, manage risk and pass opportunity to the next generation.

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