

# RESEARCH REPORT

## General Assembly 2: Economic and Financial Council (ECOFIN)

Main Chair: Evan Corser-Tiernan

Co-Chair: William Oestli Thoegersen

### Topics:

- The question of reducing financial inequality in LEDC's and other countries that experience problems related to this matter.
- Measures to prevent and reduce tax evasion.
- The question of providing aid to the still worsening economy of Venezuela.

### Topic One:

“The question of reducing financial inequality in LEDC's and other countries that experience problems related to this matter:”

No economy strives for absolute financial equality, as it is both almost impossible to achieve and is not helpful to the overall economy. That being said, many LEDC's have a serious problem with having a large gap between the most and least well off of their population. This gap can trap people born to poor families in the working class and make it difficult for the poor population of acquire wealth and live good lives. Furthermore, many of the poorest people in these LEDC's may live under malnutrition or with a lack of housing, clothing, and with an array of other health and hygiene issues. Governments may take some of the following actions to tackle a large financial gap:

- Redistribution : this involves ultimately taking money from the more well off members of society and sharing it among the poor. This can be done with through taxes with something called a progressive tax system, under which higher incomes are taxed more. This money may then be given to the working class in the form of social welfare or other grants.
- Ladder of Opportunity: in some cases a large financial gap may make it difficult for children born into poor families to acquire a good education or receive any job skills, potentially trapping them in their class indefinitely. Governments may help reduce this by creating positive outreach programs of affirmative action initiatives to help the less well of youth get an education, or subsidise scholarships to help students afford higher education.
- Estate Tax: many of those who are well off in LEDC's have received all or at least some of their wealth from past generations in their families. Taxing this money passing down through the generations will help redistribute wealth from the top to the bottom of a society.
- Stabilising the economy: financial inequality is often the result of a failing economy. By decreasing inflation, increasing economic growth, revaluation the exchange rate and many other economic tools may help to reduce the gap.

A problem that faces many LEDC's is a growing population, particularly among the lower classes which can be seen tangibly in places such as India and Africa. Programs such as birth control awareness campaigns and educating the youth on safe sex can help to fight this problem and thus offer the lower classes better chances of acquiring good jobs and more wealth as the population growth declines.

## **Past Actions Taken**

India has long been a country that struggles with very high levels of poverty, particularly in rural areas. Since shaking British rule, India has been slowly trying to bring itself into the modern age economically, but has struggled due to massive overpopulation and from the legacy left behind by the East India Trading Company. recently, the powers in India have begun to take the economy into their own hands, adjusting their fiscal policies to try and bring more growth and thus more money to the poor. They did this with an emphasis on socialism while trying to oust capitalism. This has been known as the Delhi Consensus.

Post - apartheid south africa also faces challenges regarding economic inequality particularly on a racial basis. The government however has taken many measures to try tackle this financial gap, the most prominent of these being the Black Economic Empowerment (BEE) program. The focus of this initiative is to open markets up to black business and help blacks to access the same financial opportunities whites had benefited from under apartheid. Before BEE the South African government had a program called the Reconstruction and Development Program which aimed to help blacks open business and access economic benefits, though this program was short lived. South Africa has also undergone educational reform in order to help all natives regardless of colour access education.

Many MEDC's also help to provide opportunities in LEDC's through trade, subsidies and grants given in order to help with poverty. This can be in many forms such as favouring trade with LEDC's which provides jobs and capital to the country, or even moving parts of production or other business to LEDC's to provide jobs. Some countries also offer scholarships or even grants to schools and students in less well off countries in order to help bring up young talent that may otherwise not have a chance.

## **Conclusion**

There are many opportunities both MEDC's and LEDC's may take to improve the financial conditions in less well-off countries and help to shrink the economic inequality they face. Actions such as scholarships, grants, trading, affirmative programs, educational reforms, ethnic outreach and many more can greatly help to bring about the end of poverty. The UN will likely play a large part in helping orchestrate these initiatives, and creating resolutions involving these or any other ideas may help to improve the situation.