

## **Widening Income Inequality in Our Society and the Energy Problem**

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When considering today's global energy issues, several key perspectives are essential. These include: the renewed recognition of the importance of energy security; the challenges of increasing electricity demand and security of power supply due to a new information revolution; the pursuit of energy transition to achieve energy security and decarbonization simultaneously; innovation and industrial policy in energy transition; and the global fragmentation and economic security. Each of these offers critical strategic insights into both the current realities and future perspectives of energy issues.

However, while taking these perspectives into account and examining domestic and international energy issues, the author has come to recognize another important viewpoint. That is, the impact of the growing income disparity in our society, the concentration of wealth, and the imbalance in income distribution on energy issues.

In societies characterized by intense economic and social competition, the pursuit of efficiency and rationalization through competitive mechanisms is expected to lead to optimal resource allocation, thereby enhancing and potentially maximizing overall societal utility. Competition has long been regarded as a driving force for revitalizing society, offering the potential for dynamic transformation toward a more advanced and prosperous social structure. Indeed, many scholars have pointed out that such positive effects of competition have played a significant role in shaping societal progress. However, it must also be acknowledged that competition inevitably produces both "winners" and "losers." As competitive dynamics become more deeply entrenched, the absence of adequate redistribution mechanisms and social safety nets can result in a reality where the "winners" grow increasingly affluent, while the "losers" face progressively harsher conditions.

As competitive societies persist, the disparity between "winners" and "losers" is increasingly materializing in the form of widening income inequality—an issue of global concern. The Gini coefficient, frequently employed as an indicator of income distribution, has shown a rising trend in many countries, suggesting a broad-based expansion of income disparity. While the absolute values of the Gini coefficient and the severity of inequality differ across nations, a common directional trend toward increasing inequality can be observed. This implies that the expansion of income disparity is emerging as a shared social phenomenon and a pressing challenge. The extent to which income inequality constitutes a serious social issue varies by country; however, the potential negative implications of such widening gaps are far from negligible.

As income inequality widens and society becomes increasingly polarized between a small group of high-income earners and a large majority of relatively low-income individuals, the deepening of social fragmentation may lead to growing instability across society as a whole. One notable concern is the diminishing middle class, which had previously served as a moderating and stabilizing force within society. As this segment shrinks due to polarization, the space for moderation and stability contracts, allowing more extreme views to gain traction and exert influence. Furthermore, in a fragmented society,

rising dissatisfaction—particularly among the low-income majority—can give rise to populist ideologies and social tendencies. In such contexts, populist policies may garner increasing support, and political movements actively promoting these policies may begin to emerge and gain visibility.

These trends can also lead to inward-looking attitudes and the rise of “me-first” type nationalism. The adverse effects of excessive globalization become more pronounced, and perspectives shift from prioritizing free trade and international division of labor to protecting domestic industries and employment. Protectionist and exclusionary ideologies may gain traction. Underlying these issues is the problem of social fragmentation caused by widening income inequality and excessive concentration of wealth.

As income inequality and polarization progress within societies, and fragmentation between nations intensifies, global geopolitical tensions escalate, and strategic competition becomes increasingly complex. This undermines the framework of “global governance” that has supported global stability and order, heightening tensions in international politics and security and increasing uncertainty about the future.

It is clear that these domestic and international developments exert broad and far-reaching influence on energy issues. The important interrelationship between energy—an essential element of daily life and economic activity—and international affairs was previously discussed in the essay “A Japanese Perspective on the International Energy Landscape” (Issue No. 737). Through various channels and mechanisms, both global and domestic challenges significantly shape the energy landscape, while energy issues, in turn, influence political, economic, and security dynamics at both national and international levels. In this context, the deepening fragmentation of society and the world—driven by widening income inequality and the excessive concentration of wealth—emerges as a critical factor in understanding contemporary energy challenges.

One issue the author has become particularly aware of is the increased societal vulnerability to rising energy costs and prices in a society marked by income inequality. Having long been interested in energy issues, the author was surprised when, following the surge in international energy prices in late 2021, advanced economies such as Japan and European countries began introducing energy subsidy programs.

Historically, advanced economies opposed energy subsidies in developing countries, viewing them as undesirable policies that distort markets, and often called for their reduction or elimination. Why, then, did these same advanced economies decide to implement energy subsidies themselves? What was the underlying reason? The author’s reflection led to the realization that the issue of income inequality and social polarization was a key factor.

Energy is an indispensable commodity for daily life, and its necessity does not diminish simply because prices rise. Consequently, increases in energy costs exert a disproportionately severe impact on relatively low-income groups—a phenomenon referred to as the “regressive impact of negative externalities.” In a polarized society, where the majority of the population belongs to the relatively low-income segment, surging energy prices become a matter of critical concern. Given this social context, it becomes evident that there exists a compelling rationale behind the political decisions to implement energy subsidy programs even in advanced economies.

The impact of this issue is significant. In short, in today’s society of widening income inequality, rising energy costs and prices are not easily absorbed. As countries seek to promote energy transition

to achieve energy security and decarbonization simultaneously, rising energy costs can be expected to happen. Whether society can absorb these costs becomes a pressing concern. Conversely, to ensure the success of the energy transition, it is essential to suppress or minimize energy cost increases. This necessitates wisdom and ingenuity, the pursuit of “diverse pathways” tailored to each country’s circumstances, cost reduction in individual technologies, the pursuit of an energy mix that minimizes overall costs, and the pragmatic execution of strategies grounded in reality.

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