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Transition towards balanced equity From the Prevailing Gross Inequality in 2018

ABSTRACT

The first point of our highlight on inequality is have we ever turned a blind eye to inequality? The next point is our keen concern how the country could come out of the trappings of majoritarianism and the economic policies could be finely reformulated for the benefit of the 99% people, if not for the cent-percent of the country's population? Thirdly why is India's wealth inequality growing too fast, as was investigated by Professor Prabhat Patnaik. According to him growing wealth inequality is an inherent feature of neoliberal capitalism, combined with primordial traces of prevailing remnant feudalism in our semi-feudal, semi-colonial set up of the country.

Independence is no doubt a matter of great joy. But let us not forget that this independence has thrown on us great responsibilities. By independence, we have lost the excuse of blaming the British for anything going wrong. If hereafter things go wrong, we will have nobody to blame except ourselves. There is great danger of thing going wrong. Times are fast changing. People including our own are being moved by new ideologies. They are getting tired of Government by the people. They are prepared to have Governments for the people and are indifferent whether it is Government of the people and by the people. If we wish to preserve the Constitution in which we have sought to enshrine the principle of Government of the people, for the people and by the people, let us resolve not to be tardy in the recognition of the evils that lie across our path and which include people to prefer Governments for the people to Government by the people, nor to be weak in our initiative to remove them. That is the only way to serve the country. I know of no better one think of any better.

Key Words:- Constituent Assembly, Nation, Delusion, Social Democracy, Poverty, neo-liberal capitalism, feudalism, inequality, social mobility, joblessness, weak growth credit bubbles.

Section1: Constitution of India Pitfalls of Indian Society

On the 26th of January 1950, India would be a democratic country in the sense that India from that day would have a government of the people, by the people and for the people. The same thought came to our mind. What would happen to her democratic Constitution? Will she be able to maintain it or will she lose it again? This is the second thought that comes to mind and makes us as anxious as the first.

Democratic system

It is not that India did not know what is Democracy. There was a time when India was studded with republics, and even where there were monarchies, they were either elected or limited. They were never absolute. It is not that India did not know Parliaments or parliamentary procedure.

A study of the Buddhist Bhikshu Sanghas discloses that not only there were Parliaments – for the Sanghas were nothing but Parliaments – but the Sanghas knew and observed all the rules of parliamentary procedure known to modern times. They had rules regarding seating arrangements, rules regarding Motions, Resolutions, Quorum, Whip, Counting of Votes, Voting by Ballot, Censure Motion, Regularisation, *Res Judicata*, etc. Although these rules of parliamentary procedure were applied by the Buddha to the meetings of the Sanghas, he must have borrowed them from the rules of the Political Assemblies functioning in the country in his time.

This democratic system India lost. Will she lose it a second time? I do not know. But it is quite possible in a country like India – where democracy from its long disuse must be regarded as something quite new – there is danger of democracy giving place to dictatorship. It is quite possible for this new born democracy to retain its form but give place to dictatorship in fact. If there is a landslide, the danger of the second possibility becoming actuality is much greater.

Three warnings

If we wish to maintain democracy not merely in form, but also in fact, what must we do?

The first thing in my judgement we must do is to *hold fast to constitutional methods of achieving our social and economic objectives*. It means we must abandon the bloody methods of revolution. It means that we must abandon the method of civil disobedience, non-cooperation and satyagraha. When there was no way left for constitutional methods for achieving economic and social objectives, there was a great deal of justification for unconstitutional methods. But where constitutional methods are open, there can be no justification for these unconstitutional methods. These methods are nothing but the *Grammar of Anarchy* and the sooner they are abandoned, the better for us.

The second thing we must do is to observe the caution which John Stuart Mill has given to all who are interested in the maintenance of democracy, namely, *not "to lay their liberties at the feet of even a great man, or to trust him with power which enable him to subvert their institutions"*. There is nothing wrong in being grateful to great men who have rendered life-long services to the country. But there are limits to gratefulness. As has been well said by the Irish Patriot Daniel O'Connell, no man can be grateful at the cost of his honour, no woman can be grateful at the cost of her chastity and no nation can be grateful at the cost of its liberty. This caution is far more necessary in the case of India than in the case of any other country. For in India, Bhakti or what may be called the path of devotion or hero-worship, plays a part in its politics unequalled in magnitude by the part it plays in the politics of any other country in the world. Bhakti in religion may be a road to the salvation of the soul. *But in politics, Bhakti or hero-worship is a sure road to degradation and to eventual dictatorship.*

The third thing we must do is not to be content with mere political democracy. We must make our political democracy a social democracy as well. Political democracy cannot last unless there lies at the base of it social democracy.

Social democracy

What does social democracy mean? It means a way of life which recognises liberty, equality and fraternity as the principles of life. These principles of liberty, equality and fraternity are not to be treated as separate items in a trinity. They form a union of trinity in the sense that to divorce one from the other is to defeat the very purpose of democracy.

Liberty cannot be divorced from equality, equality cannot be divorced from liberty. Nor can liberty and equality be divorced from fraternity. Without equality, liberty would produce the supremacy of the few over the many. Equality without liberty would kill individual initiative. Without fraternity, liberty would produce the supremacy of the few over the many. Without fraternity, liberty and equality could not become a natural course of things. It would require a constable to enforce them.

We must begin by acknowledging the fact that there is complete absence of two things in Indian Society. One of these is equality. On the social plane, we have in India a society based on the principle of graded inequality which we have a society in which there are some who have immense wealth as against many who live in abject poverty.

The second thing we are wanting in is recognition of the principle of fraternity. What does fraternity mean? Fraternity means a sense of common brotherhood of all Indians – of Indians being one people. It is the principle which gives unity and solidarity to social life. It is a difficult thing to achieve. How difficult it is, can be realised from the story related by James Bryce in his volume on American Commonwealth about the United States of America.

There was so little solidarity in the USA at the time when this incident occurred that the people of America did not think that they were a nation. If the people of the United States could not feel that they were a nation, how difficult it is for Indians to think that they are a nation?

A great delusion

Ambedkar maintained “I remember the days when politically minded Indians, resented the expression “the people of India”. They preferred the expression “the Indian nation.” Ambedkar was of opinion that in believing that we are a nation, we are cherishing a great delusion. How can people divided into several thousands of castes be a nation? The sooner

we realise that we are not as yet a nation in the social and psychological sense of the world, the better for us. For then only we shall realise the necessity of becoming a nation and seriously think of ways and means of realising the goal. The realisation of this goal is going to be very difficult – far more difficult than it has been in the United States. The United States has no caste problem. In India there are castes. *The castes are anti-national. In the first place because they bring about separation in social life. They are anti-national also because they generate jealousy and antipathy between caste and caste.* But we must overcome all these difficulties if we wish to become a nation in reality. *For fraternity can be a fact only when there is a nation. Without fraternity, equality and liberty will be no deeper than coats of paint.* [1]

Section 2: Are we really Blind to Inequality?

The concept that human beings should be equal is very old. It was the fight against injustice and inequality between the French royalty and the citizens that drove the 18th century intellectual Jean-Jacques Rousseau to write “Man is born free, but everywhere he is in chains.”

These words sparked the French Revolution. Across the Atlantic in 1776, the newly independent United States of America wrote into the American Constitution, “we hold these truths to be self-evident, that all men are created equal.” Reality in the US then was not that simple – neither women nor slaves were considered equal. Nevertheless, by the 21st century, the view that all men are equal as been taken as a truism, even though to quote George Orwell, “all animals are equal, but some are more equal than others.”

There are three “stylized facts” about global income and wealth inequality. (i) The gap “between nations” have narrowed, mainly due to the rise of emerging markets led by China, India and ASEAN. (ii) Within almost every country, the gaps between the rich and poor have widened, especially in the last 30 years. (iii) As Oxfam famously pointed out, the top 8 billionaires own as much as the poorer half of mankind.

Thomas Piketty’s best-selling 2014 book, *Capitalism in the 21st century*, undertook meticulous research into historical data to show that inequalities in wealth distribution had deep political roots. In the 48 years since the Nobel Memorial Prize in Economics was inaugurated, only two awards went to work on inequality: Amartya Sen on welfare and the

2015 award to Angus Deaton for his work on poverty, consumption and welfare. The rest were given mostly on quantitative economics, efficient resource allocation and market theory.

Why has inequality not been the centre of mainstream economics' research agenda, including such important social issues as ecology, corruption, crime and political capture?

There are deep meta-economic (the thinking of thinking) reasons why economic theory, which began life as "political economy", increasingly switched to "pure science". By the 1980s, mainstream economics essentially became normative and quantitative, using mathematical models that borrowed heavily from physics. These reductionist and statistical models assumed away messy politics, rationalising the world in elegant theories, which focused on optimal policy solutions but ignored uncertainties such as financial crises and growing social inequalities. Rational man became a root in mechanical models of the economy.

The English philosopher Stephen Toulmin (1922-2009) categorised Western Modernity (rise of modern science) into three phases. The first could be identified with 1436 when Gutenberg created typeset printing to around 1650, which coincided with the discovery of America, the search for the China trade after the loss of Constantinople, and the flowering of art, philosophy, literature and the beginnings of modern science. This period did not differentiate nature from humanity, as each European nation struggled between religion and statehood. Political philosophers like Francis Bacon (1561-1626) and Machiavelli (1469-1527) wrote on practical issues of politics and human behaviour, with an oral tradition of narratives. Dramatists such as Shakespeare told great stories about human drama.

But in 1648, the Treaty of Westphalia ended the Thirty Years War (over religion) which confirmed each sovereign state as master of its own affairs with its own adopted religion.

This ending of warring chaos created the second phase of Modernity, shifting towards secular science rejecting ideas that blurred human affairs with nature, finding, older ideas lacking rationality and rigour. Beginning with the work of astronomer Galileo (1564-1642) and French mathematician Rene Descartes (1596-1650), European thinking sought to become "intellectually perfectionist, morally rigorous, and humanly unrelenting". This was a movement towards theory-looking for universal solutions that were general and applicable for all time.

The great scientist Isaac Newton (1642-1727) exemplified this period, shifting ideas dramatically from practical issues of human beings involving ethics and morality to theoretical concepts that sought to explain reality from reductionist, simplified models. Newtonian science offered an ideal and stable, mechanical view of the natural world.

This second phase of scientific Modernity rests on what Toulmin called the three pillars of “certainty, systematicity and the clean slate.” Modern economics, born from Adam Smith’s book *Wealth of Nations* at this time, offered a natural world that suited the rising power of the British Empire about free trade.

Mainstream economists were enamoured with Newtonian ideas. They assumed that their general equilibrium models of the economy could give optimal policy recommendations or projections, subject to laws that apply for all time and that we can always start with a clean slate. In reality, the economy and market is not always in equilibrium, the rules of the game changing through evolution and adaptation, and we can never start with a clean slate. All human systems are trapped by legacies of history, culture, institutions and past experience.

Since 1912, Newtonian physics was blown away by Einstein’s theories of relativity and quantum mechanics that recognised uncertainty and chaos as part of natural change. It is politics which explain why neo-classical economics never adapted to this profound change in scientific thinking.

After Pax Britannia, the American era was very comfortable with this timeless, universal model of the free market, with minimal interference from the state, giving automatic efficient resource allocation with stable equilibrium. Ideologically, America stood for free markets, because she was the biggest winner. Inconvenient problems such as inequality are market failures, which the state can take care of, ignoring the reality of political capture and vested interests. Mainstream free market economics became an ideology that suited the privileged elite, because essentially – “everyone can get rich, we can always redistribute later”. But once an elite few got rich, the powerful made sure that few paid serious attention to redistribution.

The latest tax cut proposals in the US prove this point. All indicators are that the rich will benefit more from the tax cuts than the poor, on the hope that rich will invest and the middle class would spend. Meanwhile, welfare benefits and healthcare support for the needy are cut.

Put simply, politics drive economic theory, using theory like religion to legitimize the status quo.

Recognising inequality is therefore not an issue. The real question is: what can we really do to reduce inequality? [2]

Section 3: Is Majoritarianism the last goal for Indian Economy?

There are 10 issues that need to inform public discourse around the economy and the aam aadmi, especially on the eve of the final full-year budget before Prime Minister Narendra Modi seeks another popular mandate. These are at variance from Arvind Subramanian's significant 10 presented in the Economic Survey but should be more to the point because their overarching message is that the aam aadmi increasingly matters less and less. The poor, of course, have seldom mattered.

- 1) For all the hullabaloo around growth and fast-paced development, at around 6.5% growth has been the slowest in recent times.
- 2) Partaking of this growth is India's richest 1% that holds 58% of its total wealth; this elite group outsmarting its global competition that managed to lay its hands on an average of around 50% of the wealth. The agonizing details of the Oxfam survey are in public domain. (https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-reward-work-not-wealth-220118-summ-en.pdf).

India's top 1% holds 73% of the wealth while 67 crore citizens – the poorest half – had the pleasure of a 1% increase. This segment accounts for the largest share of the global bottom 50% pie.

- 3) If the global economy shrinks, India is in for further trouble vis-a-vis global investments or export markets. In any event, big Indian corporate deliver poorly on the export front when compared to global contemporaries.
- 4) The oil price cushion is threatening to remove itself. Remember oil prices more than halved between 2014 and 2015 leading to a 0.9% of the GDP windfall vis-a-vis lower subsidy outgo and collateral benefits.

- 5) The country's banking system; the repository of its financial wisdom, continues to be in a shambles courtesy a bad – loan pile up that is upward of Rs 7 trillion; much of it owed by the same 1% wealthiest.
- 6) The Consumer Price Index indicates an acceleration in retail inflation with higher commodity and food prices. They were at a 17-month high in December 2017 and a Reuters poll of analysts projects that December's CPI inflation will rise to 5.10% from November's 4.88%.
- 7) Retail food inflation rose 4.96% in December 2017 from 4.35% in November. Cost of food and dairy products, accounting for between 30% and 40% of the aam aadmi spend, has been increasing upwards of 12%. This price rise is an instrument of overall impoverishment and of denial of access to basic needs.
- 8) The farmer is slowly being decimated under a barrage of propaganda about doubling his income in six years. Even conservative estimates place the median agriculture income at around Rs 1,600 per month, which cannot sustain a family. Official figures talk of a lower gross value-added growth (GDP minus taxes and subsidies on products), at 1.7% in 2017-18 (4.1% in the second quarter of 2016-17). There has been a 2.8% decline in foodgrain output in the Kharif 2017-18 season. The farm sector situation is frightening.
- 9) India's growing corruption levels are alarming especially given the propaganda around clean governance. India ranked 79 th in the Corruption Perception Index 2016 in the just released Transparency International report. "India's ongoing poor performance with a score of 40 reiterates the state's inability to effectively deal with petty corruption as well as large-scale corruption scandals. The impact of corruption on poverty, illiteracy and police brutality shows that not only the economy is growing – but also inequality", says the report.
- 10) A badly designed, poorly executed Aadhaar scheme with questionable biometrics has succeeded in dispossessing a large segment of the sections service to whom should have been the government's primary focus. The scandalous breach of data apart, Aadhaar increasingly represents a breach of faith on the part of the government against the governed.

The Union Budget has long lost its gravitas as there remains precious little sacrosanct about it. Round-the-year interventions, financial or otherwise, at the behest of various interests easily alter the policies that the budget sets out to finance. Much of India muddles along and it is possibly in the fitness of things that the country should celebrate the 1% that is making merry. [3]

Section 4: Inequality in 21st Century

The alarming level of economic inequality globally has been well documented by prominent economists, including Thomas Piketty, François Bourguignon, Branko Milanović and Joseph E. Stiglitz, and well-known institutions, including Oxfam and the World Bank. And it is obvious even from a casual stroll through the streets of New York, New Delhi, Beijing or Berlin.

Voices on the right often claim that this inequality is not only justifiable, but also appropriate: Wealth is a just reward for hard work, while poverty is an earned punishment for laziness. This is a myth. The reality is that the poor, more often than not, must work extremely hard, often in difficult conditions, just to survive.

Moreover, if a wealthy person does have a particularly strong work ethic, it is likely attributable not just to their genetic predisposition, but also to their upbringing, including whatever privileges, values and opportunities their background may have afforded them. So there is no real moral argument for outsize wealth amid widespread poverty.

This is not to say that there is no justification for any amount of inequality. After all, inequality can reflect differences in preferences: Some people might consider the pursuit of material wealth more worthwhile than others. Moreover, differential rewards do indeed create incentives for people to learn, work and innovate, activities that promote overall growth and advance poverty reduction.

But, at a certain point, inequality becomes so severe that it has the opposite effect. And we are far beyond that point.

Plenty of people—including many of the world's wealthy—recognize how unacceptable severe inequality is, both morally and economically. But if the rich speak out against it, they are often shut down and labelled hypocrites. Apparently, the desire to lessen inequality can be considered credible or genuine only by first sacrificing one's own wealth.

The truth, of course, is that the decision not to renounce, unilaterally, one's wealth does not discredit a preference for a more equitable society. To label a wealthy critic of extreme inequality a hypocrite amounts to an *ad hominem* attack and a logical fallacy, intended to silence those whose voices could make a difference.

Fortunately, this tactic seems to be losing some of its potency. It is heartening to see wealthy individuals defying these attacks, not only by openly acknowledging the economic and social damage caused by extreme inequality, but also by criticizing a system that, despite enabling them to prosper, has left too many without opportunities.

In particular, some wealthy Americans are condemning the current tax legislation being pushed by Congressional Republicans and President Donald Trump's administration, which offers outsize cuts to the highest earners—people like them. As Jack Bogle, the founder of Vanguard Group and a certain beneficiary of the proposed cuts, put it, the plan—which is all but guaranteed to exacerbate inequality—is a “moral abomination”.

Yet, recognizing the flaws in current structures is just the beginning. The greater challenge is to create a viable blueprint for an equitable society. (It is the absence of such a blueprint that has led so many well-meaning movements in history to end in failure.) In this case, the focus must be on expanding profit-sharing arrangements, without stifling or centralizing market incentives that are crucial to drive growth.

A first step would be to give all of a country's residents the right to a certain share of the economy's profits. This idea has been advanced in various forms by Marty Weitzman, Hillel Steiner, Richard Freeman, and, just last month, Matt Bruenig. But it is particularly vital today, as the share of wages in national income declines, and the share of profits and rents rises—a trend that technological progress is accelerating.

There is another dimension to profit-sharing that has received little attention, related to monopolies and competition. With modern digital technology, the returns to scale are so large that it no longer makes sense to demand that, say, 1,000 firms produce versions of the same good, each meeting one-thousandth of total demand. A more efficient approach would have 1,000 firms each creating one part of that good. So, when it comes to automobiles, for example, one firm would produce all the gears, another all the brake pads, and so on.

Traditional antitrust and pro-competition legislation—which began in 1890 with the Sherman Act in the US—prevents such an efficient system from taking hold. But a monopoly of production need not mean a monopoly of income, as long as the shares in each company are widely held. It is thus time for a radical change, one that replaces traditional anti-monopoly laws with legislation mandating a wider dispersal of shareholding within each company.

These ideas are largely untested, so much work would need to be done before they could be made operational. But as the world lurches from one crisis to another, and inequality continues to deepen, we do not have the luxury of sticking to the status quo. Unless we confront the inequality challenge head on, social cohesion and democracy itself will come under growing threat. ©2017/Project Syndicate [4]

As inequality continues to deepen worldwide, we do not have the luxury of sticking to the status quo. Unless we confront the inequality challenge head on – as we have just begun to do with another existential threat, climate change – social cohesion, and especially democracy, will come under growing threat.

Mumbai – At the end of a low and dishonest year, reminiscent of the “low, dishonest decade” about which W.H. Auden wrote in his poem “September 1, 1939,” the world’s “clever hopes” are giving way to recognition that many severe problems must be tackled. And, among the severest, with the gravest long-term and even existential implications, is economic inequality.

The alarming level of economic inequality globally has been well documented by prominent economists, including Thomas Piketty, Francois Bourguignon, Branko Milanovic, and Joseph E. Stiglitz, and well-known institutions, including OXFAM and World Bank. And it is obvious even from a casual stroll through the streets of New York, New Delhi, Beijing, or Berlin.

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Section 5: Piketty's views on Wealth Inequality

Piketty in his recent scholastic book highlighted very seriously on the issue of inequality in the global scenario. But in India why do and should we bother today so much about inequality? Echoing Bill Gates, we proceed to address this question: the first is the standard egalitarian viewpoint that all people are born equal and deserve to be treated, at least, fairly and rationally even if not exactly equally. Extreme disparities now prevalent in Indian social context hurt or offend the sensibilities and moral impulses of the sensitive sections of the people. Secondly, just not because of high moral grounds or for the sake of any lofty idealism the urgency for maintaining an optimal level difference between the haves and have-nots is

felt; but this optimization turns out to be a social imperative and emerges as a virtual ideology for the healthy social dynamics from sheer pragmatic consideration. It is learnt from physical sciences that changes in heights or level-differences are a must for the flow of fluids. Hence, springs the justification for maintaining some level-differences in society, according to this clever band of pragmatists. This argumentative position is based on the simple logic of social survival. Thirdly, and finally, even for sheer practical reasons and or a compulsion under certain conditions inequalities do matter very much, that is, for maintaining social stability, order and peace. Tilting one-sidedly to the powerful interest groups combined with excessive indulgence on the part of Governments to the 'crony' capitalists (or even crony socialists!) is too detrimental for the progress and developments of any society. So, fighting at least for inequality-reduction should certainly form a policy-priority for India and similar such other countries. [6]

Section 6: Exposure by 'Oxfam'

Last year, one billionaire was created every two days. This is the biggest increase in the number of billionaires in history and a whopping 82% of all of the wealth generated between the second quarter of 2016 and the corresponding period last year went to the top 1%, according to the latest survey by Oxfam.

There are now 2,043 dollar billionaires worldwide. The wealth of this group increased by \$762 billion in just 12 months and Oxfam has calculated that approximately two-thirds of that wealth is the product of inheritance, monopoly and cronyism.

On the flip side, while the poor aren't getting poorer, the bottom 50% of the global population bagged less than 1% of total wealth in 2016-2017. Given that the global adult population is estimated to be 5 billion and children (under 18) are pegged at 2.5 billion-for its analysis Oxfam conservatively assumed that the children are distributed equally across the adult distribution and share the wealth of their parents/guardians-the bottom 50% represents 3.7 billion people.

In the period between 2006 and 2015, ordinary workers saw their incomes rise by an average of just 2% a year while billionaire wealth rose almost six times faster, adds the charity, an international confederation of 20 organizations networked together in more than 90 countries focussing on global poverty alleviation. The report, fittingly, was released just hours before the start of the World Economic Forum, which will reportedly focus on how to create "a shared future in a fractured world" this year.

India is no stranger to income inequality, but the gap is widening further. Last year's survey had showed that India's richest 1% held 58% of the country's total wealth, which was higher than the global figure of about 50%. According to the latest survey, the wealth of this elite group increased by over Rs 20.9 lakh crore during the period under review-an amount close to the total expenditure estimated in the Union Budget 2017. India's top 1% of the population now holds 73% of the wealth while 67 crore citizens, comprising the country's poorest half, saw their wealth rise by just 1%.

"The billionaire boom is not a sign of a thriving economy but a symptom of a failing economic system. Those working hard, growing food for the country, building infrastructure, working in factories are struggling to fund their child's education, buy medicines for family members and manage two meals a day. The growing divide undermines democracy and promotes corruption and cronyism," said Oxfam India CEO Nisha Agrawal. Things certainly have gone very awry if, as the survey finds out, it will take 941 years for a minimum wage worker in rural India to earn what the top paid executive at a leading Indian garment firm earns in a year. [7]

Section 7: Why is India's and World's inequality growing so rapidly?

"Liberalisation" itself is responsible for the growth in inequality, as is clear from the fact that it is not just India, but the world as a whole, that is witnessing growing wealth inequality.

The share of the world's wealth that the top 1% held as a whole was 50% before 2017 (compared to 58% in India); the share they had in adding to world wealth in 2017 was 82% (compared to 73% in India).

Growing wealth inequality is an inherent feature of neo-liberal capitalism

India-specific factors, in short, have operated on a general trend that is common for all, and this trend has to do with the pursuit of neo-liberal economic policies. Growing wealth inequality is an inherent feature of neo-liberal capitalism.

Neo-liberal policies aggravate wealth inequality in several ways. First, they widen income inequality. Since the ratio of income that is "saved" (for adding to wealth) is higher for the

upper-income groups, a rise in income inequality raises both the overall savings ratio in the economy and also the degree of concentration of wealth in the hands of the rich.

Income inequality, in turn, grows for a structural reason. Neo-liberal policies entail a withdrawal of state support from peasant agriculture and petty production in general. This undermines those sectors, forcing peasants to migrate to the cities in search of jobs. At the same time, these policies remove all restrictions on the rate of technological-cum-structural change, so labour productivity rises rapidly making employment growth insufficient to absorb even the natural growth of the workforce, let alone the distressed peasant migrants.

This creates slack in the labour market, which keeps the wage-rate low even as labour productivity increases. Since the ratio of wage-rate to labour productivity is nothing else but the share of wages, this share decreases, and the share of those who live on the surplus (i.e. non-wage income), typically the rich and the professional classes, increases. A rise in income, and hence wealth inequality is thus embedded in the structure of neo-liberal capitalism.

Secondly, quite apart from its effect on the labour market, the out-migration of peasants and petty producers is typically associated with a loss of assets by them. For example, when leaving for the city, labour migrants would abandon their houses or their land or be forced to sell them at low prices. What is more, sometimes their assets are simply expropriated to facilitate industrial or “infrastructure” projects (roads, dams, factories, etc.) which invariably have a real estate component to them. This contributes directly to greater concentration of wealth.

Thirdly, the privatisation of essential services like education and healthcare makes them effectively more expensive for the lower income groups. Hence they have to spend more from their already meagre income on these services and are unable to save and add to their wealth to the same extent as before. This also contributes to growing wealth inequality.

Fourthly, a neo-liberal regime typically entails handing out tax concessions and tax rebates to big corporations for ushering in “faster growth”. The obverse of this is the constraint on public spending on education and health and withdrawal of state support to a peasant agriculture that was noted above. Such tax concessions to corporations, not to mention tax evasion and non-repayment of loans to public sector banks, promote wealth inequality.

Finally the asset market bubbles, which characterise neo-liberal regime and contribute to their dynamism, increase the value of wealth at the top and boost wealth concentration. A stock-market surge for instance can create billionaires overnight. Some have argued that since such bubble-based wealth, which will disappear when the bubble bursts, exaggerates wealth concentration, the available estimates of wealth inequality need not cause concern.

Governments, however, not only try to prevent such bursts but take steps to ensure that the capital gains made through such bubbles do not just remain fictitious but are converted into real assets. They do so by incessantly throwing new assets on the market, through the privatisation of natural resources like water and air, and the sale of public sector assets like “spectrum”. The estimated wealth inequality, therefore, is not just fictitious but is quite real.

Each of these mechanisms has operated in India, which has witnessed an agrarian crisis, a growing privatisation of essential services, a prolonged stock market boom and rampant tax concessions to the corporate rich. Growth in wealth inequality in such circumstances is inevitable; the other side of this coin is mass peasant suicides, growing hunger, and burgeoning unemployment. Governments pursuing neo-liberalism cannot even use taxes to counter growing wealth inequality, apprehensive that the country would lose its appeal as an investment destination; they are in a bind within this regime.

Such inequality, however, threatens not only Indian democracy but the implicit social contract, enshrined in its constitution, upon which modern India is founded. [8]

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