

**INEQUALITY AND DEMOCRACY**  
**Exploring Possibilities of Equity in the Twenty-First Century**

*Dissertation submitted to Jawaharlal Nehru University  
in partial fulfilment of the requirements for the award of the Degree of*

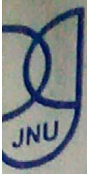
**MASTER OF PHILOSOPHY**

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### DECLARATION

I, **Arvind Kumar** hereby declare that the dissertation entitled '**INEQUALITY AND DEMOCRACY: EXPLORING POSSIBILITIES OF EQUITY IN THE TWENTY-FIRST CENTURY**' submitted by me in partial fulfillment of the requirements for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University, New Delhi-110067 is my own work. The dissertation has not been submitted for any other degree of this University or any other university.

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### CERTIFICATE

We recommend that this dissertation be placed before the examiners for evaluation.

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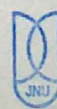
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**Dedicated To**  
**The Doctor of Inequality**  
**BABASAHEB B. R. AMBEDKAR**

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# CONTENTS

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<i>Certification</i> .....	<i>i</i>
<i>Dedication</i> .....	<i>ii</i>
<i>Acknowledgement</i> .....	<i>iii-v</i>
<i>Abbreviation</i> .....	<i>vii</i>
<b>Introduction</b> .....	<b>01-17</b>
<b>CHAPTER ONE</b> .....	<b>18-44</b>
The ‘Inequality Question’	
<b>CHAPTER TWO</b> .....	<b>45-70</b>
The Democracy amid Rising Inequalities	
<b>CHAPTER THREE</b> .....	<b>71-97</b>
Searching Equity in the Twenty-First Century	
<b>CONCLUSION</b> .....	<b>98-102</b>
<b>BIBLIOGRAPHY</b> .....	<b>103-108</b>

## **ABBREVIATION**

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<b>EU</b>	<b>European Union</b>
<b>FPTP</b>	<b>First Past The Post</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>ILO</b>	<b>International Labour Organisation</b>
<b>IMF</b>	<b>International Monetary Fund</b>
<b>IPR</b>	<b>Intellectual Property Rights</b>
<b>LIS</b>	<b>Luxemburg Income Study</b>
<b>LSE</b>	<b>London School of Economics and Political Science</b>
<b>NAFTA</b>	<b>North Atlantic Free Trade Association</b>
<b>PR</b>	<b>Proportionate Representation</b>
<b>SEBI</b>	<b>Security and Exchange Board of India</b>
<b>SEZ</b>	<b>Special Economic Zone</b>
<b>UK</b>	<b>United Kingdom</b>
<b>USA</b>	<b>United States of America</b>
<b>USSR</b>	<b>Union of Soviet Socialist Republic</b>
<b>WTID</b>	<b>World's Top Income Database</b>
<b>WTO</b>	<b>World Trade Organisation</b>



# INTRODUCTION

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The economic recession of 2008 has brought back the question of inequality at the fore front of public debate in the twenty-first century. The reason behind this is the post-recession scholarship (Stiglitz 2012, Piketty 2014, Atkinson 2015 et al) which has revealed that it is the rise of economic inequality which has caused the recession. This revelation does not mean that it was the first occasion when world came to know about the rising of economic inequality. But we have been witnessing such kinds of news reports since the very dawn of the twenty-first century. In India, one such report of News 18, dated November 19, 2009, citing the Forbes' list of dollar billionaires, reported that India's 100 richest persons holds approximately 25 percent of the GDP<sup>1</sup>. In that year, 52 Indians had figured in the Forbes' list of dollar billionaires. Since then, the number of Indians figuring in the Forbes' list of dollar billionaires has almost got doubled. And in the ongoing year 2017, it has reached up to 101, whereas the current population of our country has crossed 121 cores.

In recent times, though the Forbes' list of billionaires has made very significant contribution in making the claim that the economic inequality is rising globally, but it was the Occupy Wall Street Movement of the USA which made this issue very pertinent among the masses across the world. Under the slogan-'*We are 99 percent*' the Occupy Wall Street Movement has reminded us that India is not alone in witnessing the rising of economic inequality, the USA too is sailing in the same boat as India. The Occupy Wall Street Movement which began as the aftermath of the Financial Recession-2008 has shaken the consciousness of world leaders. Its slogan, *we are 99 per cent*, has become successful in underlining the fact that the income gap between the world's top one percent and the rest 99 percent is widening rapidly. This underlined fact has created a wider public awareness about the current picture of the economic inequality in the US society, the result of which has been the entering of the inequality debate in the presidential election campaign. Moreover, this issue has also acquired central stage at the meeting of the World Economic Forum-2012 at Devos that judged the 'severe income disparity' as the single most likely risk with highest potential impact. This

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<sup>1</sup> For knowing the share of top 100 persons in India's GDP in 2009, navigate through <http://www.news18.com/news/business/forbes-list-2-328953.html>. For more updated details about this share, see current Forbes' List of Dollar Billionaire of 2017.

potential impact has pushed the Oxfam International to describe the status of inequality<sup>2</sup> as an ‘escalating inequality crises’. This reason has also pushed Pope Francis to declare the inequality as ‘the root cause of all evils’ in 2014. The cumulative effect of all these developments is that the ‘inequality question’ has been gradually getting larger audience, first ever in the history, and as a result of which, it has come back at the forefront of the public debate in the twenty-first century.

This rising of inequality is marked despite the onward march of democracy. The modern democracy promises to restructure the society on the noble principle of *equality, liberty, and fraternity*; therefore, one pretends to ask, whether there is any structural compulsion of democracy which is causing the rising of economic inequality? What consequences, the rising of economic inequality brings on the structure of liberal democracy if it is a structural compulsion? And how do historical compulsions lead to transforming the very structure of liberal democracy as a result of which inequality gets reproduced? My research on the rising of economic inequality would be directed to unfold the complex structure of liberal democracy and showing how rising of economic inequality is intertwined in the design of liberal democracy? In this course of exercise, I would be exploring the implications of the rising of economic inequality on democracy, and the democratic mechanisms to solve the evil of the rising of economic inequality.

The economic recession of 2008 has impacted the life of ordinary people up to such extent that its study became an eminent concern. While studying the underlying causes of the recession, the scholars have found that the rising of economic inequality was the principle reason behind the recession. The rising of economic inequality has multiple implications on social, political, economic and ecological spheres of human life; therefore, in recent times, its study has once again acquired wider scholarly attention across the world including mine. But this is not the first time when study of inequality has acquired wider scholarly attention; the brief overview of the literature on the inequality reveals that its study has followed the periodical path, where sometime, it has seen intense debate. The intensity of the inequality debate has been dependent on the socio-economic contexts, and it is the context which always decides the content of the debate. With the variation in context, the content of inequality debate has also varied from time to time. Therefore, knowing the continuity and

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<sup>2</sup> The wealthiest 1% globally own more than the remaining 99 % and 8 men now own the same amount of the wealth as the poorest half of the world, as cited in Segal and Anand (2015).

discontinuity of the inequality debate is the stepping stone for entering into the subject matter of inequality.

The rising of economic inequality is the undercurrent theme of my research. The searching of solutions of this problem would be the ultimate aim of my research because the 'existence of inequality requires philosophical justification' (Rawls 1972), and we are witnessing rising of inequality without any justification. For reaching at its objective, my research would explore the possible causes of the rising of economic inequality while taking time into consideration. But prior to discussing the causes of the rising of economic inequality, my research deals with the issue, what I call the 'inequality question', which has although, travelled throughout centuries, but I only intent to discuss its current avatar. The first chapter of my research deals with the contents of the current avatar of the 'inequality question'.

The current avatar of the 'inequality question' cannot be understood without knowing the continuities and the discontinuities of the inequality debate. The continuities and the discontinuities cannot be understood without tracing the historical trajectory of this debate. When we try to briefly map the trajectory of inequality debate in the twentieth century, it seems to have travelled a periodical path where it comes back after certain time interval. In this context, the early decades of the twentieth century witnessed some debate on inequality, but the content of which was the relationship between the interests of workers and owners. It should be noted that the new industrial revolution occurred in the last decades of the nineteenth century and the early decades of the twentieth century after a slowdown in the latter half of the nineteenth century. It was the technological change which had brought the new industrial revolution but the cause of the slowdown is more interesting. It is argued that the slowdown happened due to the 'spectre of communism' - the propagator of which, Karl Marx argues that the relation between the interest of workers and owners is contradictory. More the workers would produce, more they would get exploited since it is the owners of capital who accumulate surplus value, produced in the capitalist mode of production. And because of the accumulation of surplus value, Marx calls the relation between the owners and the workers as antagonist since the former exploits the latter. Moreover, the second half of nineteenth century witnessed intensification of trade unionism which propagated the idea that the interests of workers and owners are contradictory in nature. This idea has somehow replaced the question of accumulation, and the relation between the interests of workers and owners became the dominant concerns in the early twentieth century.

The technological development in the early twentieth century further replaced the idea that the interest of workers and owners as contradictory in nature. The advent of scientific management theory, under the leadership of Frederick Winslow Taylor replaced the Marxist idea with the new idea that the interest of workers and owners are not contradictory in nature, since both have common objective and that is, increasing of their share of income. The share of workers was supposed to increase through the increasing of wage whereas the share of owners was planned to increase with increasing of production. And for increasing of production, scientific tools invented. The increasing of production (growth) has been seen to have potential of solving all problems related to distribution; therefore, in popular phrase, growth is referred as the 'rising tide that uplifts all boats'. This idea of growth further led to the march of capitalism in the early decades of the twentieth century.

Karl Marx has argued that the development of capitalism would increase inequality in society because it has two capacities- the infinite power of accumulation of surplus value and the power of capturing all other modes of production. These two capacities of capitalism, what can be called as Marx's Law of Capitalism cumulatively was supposed to increase economic inequality? The convincing capacity of this law was such that it was widely believed that the march of capitalism is bound to increase inequality. But the post war period proved Karl Marx wrong. This period witnessed the decline of inequality which was in opposition to the anticipation of Marx. This decline was registered in the USA. And the good news of the declining of inequality brought back the 'inequality question' back in the post war period. The front bearer of the good news was Simone Kuznets who, while analysing the income data of the USA over the period of 35 years (1913-1948) had concluded that between this period the income inequality got declined in the USA. On the basis of his analysis, Kuznets proposed an optimistic theory in 1955 which advocated that in the advance stage of capitalist development, the income inequality would automatically decline until eventually it stabilised at an acceptable level, regardless of differences between countries and their economic policy choices. The optimism presented in this theory is best explained with the previously mentioned popular phrase that the 'growth is a rising tide that uplifts all boats'. Kuznets's theory<sup>3</sup> further gave birth to the 'Kuznets Curve', according to which, inequality was expected to follow a 'bell curve' everywhere, as a result of which it was anticipated that it would first increase and then decrease with industrialization and economic development.

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<sup>3</sup> Kuznets, Simon (1955). 'Economic Growth and Income Inequality', *American Economic Review* XLV(1): 1-28.

The phenomenon of the declining of inequality needed proper justification. That justification came from the structural-functionalist school which while using the modernization theory propagated the idea that the path of democratization led to the decline of inequality. The reason behind this was the declining of the inequality during that period coincided with the ‘second wave of democratization’. The modernization theorists have seen the economic development as a route to social peace and democratization (Hopkin 2015), because the march of modernity led economic development was envisaged to produce a middle classes, and the middle class was supposed to act as balancing force between elite class and backward classes. The middle class was expected to act as balancing force by entrenching rational and cooperative resolution of social conflicts (Dahl 1956, Lipset 1960, Huntington 1968: cited in Hopkin 2015). With the help of modernization theory, the structural-functionalist school not only provided justification for the declining of inequality in the post war period but also made assertion about the declining of inequality with the spreading of democracy since democracy has been seen having inbuilt mechanisms for reducing inequality. The postulates of the structural-functionalist school also differed from the Marxism since the former envisaged solving the ‘inequality question’ with peaceful democratic means whereas the Marxism envisaged solving it through violent revolution. This idea of the structural-functional theorists such as Dahl, Lipset etc. has worldwide echoed the sentiment for democratization and economic development.

The first decade of the twenty-first century has once again witnessed the re-arrival of the ‘inequality question’. This time, this question has resurfaced in the context of the Great Recession 2008. The investigation of the cause of the recession has revealed the fact that it was increasing inequality which has caused the great recession. Though many scholars have made pioneering contribution in analysing inequality since the recession of 2008, but Thomas Piketty along with his colleagues in producing the World’s Top Income Database (WTID) which has brought a ‘paradigm shift’ in the study of inequality since this is ‘an unparalleled source for empirical data that tells us story of contemporary inequality and its historical formulation’ (Perrons 2015). This rich resource has enabled Piketty to produce his seminal work, ‘*The Capital in the Twenty First Century (2014)*’ that highlights the intensity of ‘contemporary inequality, how it has come about, why it matters, and what should be done about it. All of this is done, moreover, in a manner that approaches capitalism as an economic, social and political system, and thus recognizes that economics is part of social life that needs to be explored in context, rather than studied in fragments via theoretical,

mathematical modelling that, whilst it may appear to be scientific and objective, in fact serves only to mask what Piketty calls the vacuity of content' (Perron 2015).

While analysing the long run data on income shares, income distribution and wealth distribution, Thomas Piketty has produced U-Shaped graphs for the most of countries in the twentieth century, according to these graphs, in the most countries, the inequality has a declining trend since the beginning of the twentieth century which continued till around 1970, but since then, there is an upturn and it has once again started increasing. In 2010, it has reached at the similar level as it was in 1910. This finding of Piketty has raised two questions. First, what led to the decline of the inequality in the mid twentieth century, and second, what led to the rise of inequality since 1970.

When we compare the U-Shape graph of Thomas Piketty with the Kuznets curve on inequality, it becomes very clear that the decline in the post war period was also observed by Simon Kuznets. Kuznets has explained the cause of this decline, and according to him, the advancement of capitalism was the main reason which led to the decline of inequality. He argued that in long run, capitalism at its advance level would further lead to reduction in inequality. But the U-Shape graph of Piketty falsifies Kuznets's proposition that the inequality would decline in the advance stage of capitalism. In the context of his finding, Piketty re-examines the causes of declining of inequality, and he argues that it was exogenous external shocks, exerted by the Great Depression and the World Wars which resulted into state adopting certain welfare policies that led to the decline of inequality instead of the economic development. He argues that the Great Depression led to the increasing of unemployment which resulted into the declining of wage whereas the world war led to the destruction of physical properties as a result of which income from wealth got declined. The state responded for countering the catastrophe caused by the Great Depression and the World War. And it was the welfare policies of the state that caused reduction of inequality in the post war period. Piketty argues that in general the march of capitalism leads to the rising of economic inequality.

The above observation of Piketty contradicts the optimism propagated by Kuznets. On the basis of Kuznets's theory, the structural-functionalist school has advocated that democratization would reduce inequality, this proposition also demands critical examination in the era of rising inequality. It must be noted that the increasing of inequality since 1970s has gone along with the 'third wave of democracy'. This paradoxical phenomenon further

raises question, why does inequality has increased despite the fact of democratization? For analysing this question, my research not only tries to explore the relationship between democracy and inequality but also goes beyond, and evaluates the causes which have caused the rising of economic inequality. But prior to exploring the possible causes for the rising of economic inequality, my task includes explaining the ways through which the ‘inequality question’ needs be dealt with.

The existence of inequality needs proper philosophical justification, according to John Rawls, the probable reasons behind this proposition that multiple implications of inequality on every sphere of human life visa vie social, economic, political and ecological. This is the reason why the rising of economic inequality has been projected as one of the greatest evils. This greatest evil needs to be solved. Now the problem arises, how this greatest evil needs to be solved? Thomas Piketty offers multiple policy recommendations for addressing the current ‘inequality question’ but the most important among those is his observation that the ‘inequality question’ cannot be understood without having redistribution on the back seat. The redistribution as a conceptual category is indispensability for initiating any debate and discussion on economic inequality. Instead of method, asking the right question is the important for economic analysis, and redistribution is the right question. Therefore, Karl Marx might not be right in his economic analysis, but he was right, so far as, asking the right question, is concerned, because Inequality cannot be discussed without having question of redistribution on your back seat (Piketty 2014).

The scholars of inequality seem to be divided over Piketty’s solution of bringing back the issue of redistribution for solving the problem of inequality. The primary reason behind this is the redistribution was effective during the era of Fordism whereas we have entered into the era of knowledge economy. In the knowledge economy, for solving the problem of inequality, there are ‘democratic limits to redistribution’ (Iversen and Soskice 2015). The limit to the redistribution has pushed scholars such as Joseph Stiglitz to look for alternative solution for problems of the rising of economic inequality. Stiglitz (2012) argues that the ‘inequality question’ can be discussed without having redistribution question and that is possible through bringing back the principle of fairness. He argues that the fairness principle still has potential to provide proper analysis for the causes of the rising of economic inequality and its proper application can be effective and sufficient solution for solving this evil. This research would not only examine the possible solutions for solving the evils of

increasing inequality but also makes an attempt to propose new solutions for solving the problem of inequality.

In nutshell, this research tries to find out solutions of three broad questions which have often got repeated in our previous discussion. Their language might have been different but the meaning is same. (1) What is the contemporary ‘inequality question’; what are its nature and character; and how could we approach to this question in the twenty-first century? (2) What are the causes of increasing economic inequality since 1970s? And (3) what are the mechanisms through which the problem of the rising of economic inequality can be solved in the twenty-first century?

There is widespread belief that the inbuilt contradictions in the structure of liberal democracy have been causing the rising of economic inequality. This contradiction limits the capacity of democracy to solve the problem of inequality. The choice of experts over generalists for policy formulation as well as for managing economy despite the claims of democracy for solving the problems through the rule- *of the people, by the people, and for the people*. The democracy, instead of overcoming the structural contradictions has chosen the path which never solved the fundamental questions of economic inequality. This act of democracy was only meant for minimizing the contradictions which is inherent in them. My hypothesis is that the true political approach for solving the problem of inequality would insist on the removing inbuilt contradictions of democracy that would be done through adopting political mean. The democracy is only a mechanism for arriving at a decision on the subject matter of state, and the subject matter of state is gradually getting away from its preview. In such a situation, the reducing of economic inequality would not only mean changing the structure of the liberal democracy but also extending the frontiers of democracy beyond the subject matter of state. The mechanisms of extending the frontiers of democracy would gradually unfold as our discussion on the solution of the ‘inequality question’ proceeds.

The solutions of research questions have been extracted from the debate surrounding around the seminal work of Thomas Piketty; therefore, prior to moving on the in depth discussion on those solutions, a discussion on the central postulates of post-recession scholarship, which is an outcome of Piketty’s magnanimous ‘*The Capital in the Twenty First Century*’ is urgently called for. As mentioned earlier, Piketty’s volume has brought a ‘paradigm shift’ in the economic analysis of inequality since this is the first attempt when theoretical foundations of the economic inequality have been examined with the help of data analysis. On the basis of



the collected data on income with the help of wealth and taxation from across the world, he has concluded that economic inequality is increasing worldwide since 1970s. And it has flowed U-Shaped graphs in most of the countries. The only period when inequality declined was the post war period, and it was due to the progressive taxation policies of state which came into response to the Great Depression and the World War. In the rising of economic inequality, the changing nature of capital and income from inherited wealth has also made significant contribution. Through his comparative analysis of the USA and France, by adding demography as an intervening variable, Stiglitz (2012) and Piketty (2014) proves how inherited wealth plays significant role in creation of economic inequality, and as a result of which, the 'equality of opportunity' principle has lost its universal applicability. Piketty argues that the effect of inherited wealth is clearly visible in France since it has achieved 'demographic dividend', unlike the USA which is yet to achieve demographic transition. While taking revolutions of both countries as base, he demonstrates that the population of France has increased twice whereas USA's 100 times. The increase in the US population is because of emigration which makes effect of inherited wealth invisible. It is the invisibility of the effect of inherited wealth which creates favourable argument about the universal applicability of the equality of opportunity principle. Piketty seems suggesting that the equality of opportunity principle is a hollow promise which modern democracy gives to its citizens for solving the problem of inequality.

The equality of opportunity principle acts as a binding force for holding diverse communities together. This is the reason why proper functioning of the equality of opportunity principle has been seen as precondition for democracy. But the rising of economic inequality has posed serious threat to the universal applicability of the equality of opportunity principle, resulting into 'evisceration' of democracy. There are two methods through which democracy is getting 'eviscerated'. First, the fairness of the equality of opportunity which is a cardinal principle of liberal democracy is getting destroyed because strong nexus between economic and political agents. Nowadays, it is economic agents who are exercising disproportionate power in decision making as a result of which they are altering the procedures of democratic decision making. The fairness in decision making procedure is day by day becoming myth which is the cardinal virtue of democracy. Second, the rising of economic inequality is creating uneven development within the country as well as between countries, as a result of which there is frequent migration of workers from one place to another place. The migrant workers rarely enjoy voting right at new workplace, as a result of which the marginalised

communities are getting disenfranchised. The migration is working as instrument for disenfranchisement of marginalized communities making them worst sufferer. The logical conclusion of this argument is that the election which is a method to know the wills and preferences of the people in liberal democracy is not able to include the wills and preferences of the marginalized people. Once the wills and preferences of the marginalised people get excluded, it further results into exclusion of those communities from decision making procedure. In this whole process, the rising of economic inequality further reinforces the process of exclusion of the marginalised communities.

The democratic decision of the government institutions is measured through the ‘median voter theorem’, according to which, public institutions always try to frame policies while keeping in mind the choices of the median voter. But the post-recession scholarship on inequality (Stiglitz 2012, Hopkin 2015) reveals the truth that the decisions of the public institutions are gradually shifting away from median voter, and this shift is upward shift, which means in favour of the elite of the society. The elite of the society, in favour of which decisions of the public institutions are shifting is defined as the ‘super rich’ of the whole world. This ‘super rich’ is top one percent of the global rich. Initially, this super rich class used to come mostly from the developed countries, but nowadays, they have started coming from developing countries such China, India, and Brazil, also. This super rich class which is product of the rising of economic inequality is the major concern of the study of the post-recession scholarship on inequality. This upward shift in the ‘median voter theorem’ also means the shift in favour of this ‘super rich’, this phenomenon is creating disillusionment among ordinary voters as a result of which, voters’ turnout is getting declined in the developed countries. The phenomenon of the emergence of a global ‘super rich’ is outcome of the rising of economic inequality, and the process of which has been captured in Piketty seminal work.

## **METHODOLOGICAL NOTES**

My research on the **Inequality and Democracy: Exploring Possibilities of Equity in the Twenty-First Century** is an exploratory research since it is an attempt to break the comfort zone of Political Scientists and Economists since the former feels comfortable while studying equality whereas the latter feels comfortable while studying economic inequality. This is the reason why there is very less literature on economic inequality from the perspective of

political science, but from the perspective of economics, there is abundance of literature on this issue. My research would explore the new territory of economic inequality for political science.

The methodology of my research is based on qualitative method with multidisciplinary approach. Though, I have mostly used secondary literature as source material for this study, my research is not merely literature review. It is beyond the reviewing literature on the rising of economic inequality which has been produced in the post-recession period. For proving the fact of the rising of economic inequality, I have not gone through using correlation and regression analysis of quantitative method. Instead of doing this, what I have done is that I have solely relied on the findings of Thomas Piketty who along with his colleagues has produced the World's Top Income Database (WTID), to which Diane Perrons calls 'an unparalleled source of empirical data and inequalities and its historical formulations'. The World's Top Income Database is a very rich source of information about taxation and return on wealth. Piketty's work on inequality is based on this data. This study is also beyond the reviewing Piketty's work and challenges the key assumptions about the causes of the rising of economic inequality since 1970s.

The socio-political contexts play a very significant role in anchoring any debate on the social problem. The reason for this is the embeddedness of the problem in the socio-political contexts. This does not mean that the social-political contexts should be seen as cause of social problems, but the social problems need to be situated in the socio-political contexts. Therefore, while discussing any social problem, the best way is to explore the socio-political contexts *per se* in which genesis of that socio-political problem lies. For tracing the socio-political contexts around which the current debate on inequality has been happening, I have done ethnography of the speeches of the contemporary scholars of inequality such as Thomas Piketty, Anthony B. Atkinson, Joseph Stiglitz, David Soskice, Sudhir Anand, Paul Segal etc. The speeches of these scholars are available online. Getting oneself updated with the most recent development on the 'inequality question' has been most challenging task for me, but the establishment of the International Inequalities Institute at the LSE, London, has made my task easier. Established in the 2015, this institute is providing good niche for the contemporary scholarship on inequality. The vibrant activism of the International Inequalities Institute has produced enormous amount of literature on inequality dealing with multiple dimensions. In short span of time, this institute has become a repository of literature on

inequality which has been produced while using multidisciplinary approach. I have accessed the texts as well as videos available on the website of this institute.

In addition to the International Inequalities Institute of the LSE, the International Institute for Labour Studies of the ILO is another major research institutes in the area of studying labour income. The reports of this institute are also very helpful in understanding current trends in inequality. But the reports of the International Labour Organization heavily focuses on the labour income, it provide very limited picture about the capital income, whereas market is fundamentally structured around income from capital and labour. In addition to above institutes, the Luxemburg Income Study (LIS) of the Cross National Income Data Centre in Luxemburg also provides a very rich data for the empirical study of global income inequality. The income data of the LIS is collected while taking per capita consumption into account.

The correlation and regression analysis of the quantitative data is often used for establishing relation between two variables. But democracy has seen many shifts in last century and its internal structure has got changed. This change in structure, prevent us from going for correlation and regression analysis of inequality and democracy. The increasing inequality coincides with the march of third wave of democracy; therefore, for making relation between these two variables, I have tried to explain the process through which democracy has grown in the decades of the rising of economic inequality. This task cannot be done without properly analysing the historical and social contexts which forced democracy to adopt structural changes.

This research tries to provide the descriptive as well as explanatory analysis of the ‘inequality question’. The description of some concerns of the ‘inequality question’ such as the rise of the global top one percent helps the readers to understand about the status of the current avatar of inequality, and then draw meaning out of that. The meaning is drawn through the interpretation of the text or the social phenomenon. The description of the ‘inequality question’ does not leave readers to make their own interpretation but encourages reader provide some alternative but meaningful interpretations.

The explanation of the ‘inequality question’ focuses on analysing the undercurrent causes of the rising of the economic inequality. The explanation demands causal analysis which is done through finding out causes of the rising of economic inequality. The causes might be multiple causes which may further depend on the socio-political contexts. The socio-political contexts

vary from country to country; therefore, the causes of the rising of economic inequality can also vary from country to country. Like Piketty identifies that the rising of economic inequality is a global phenomenon, and the principle cause behind this phenomenon is the low growth. Now the meaning of low growth varies for developed countries as well as developing countries. In developed countries, the low growth refers to the low growth in population which is leading to the concentration of wealth in hand of very few families. Or in other language, the low growth in population is preventing division of family property as a result of which income of the individuals born with the silver spoon in their mouth is increasing rapidly without doing labour. Whereas in developing countries, there is population explosion, so here, the meaning of low growth is not about population but low technological growth. The world economy is moving away from Fordism to knowledge economy which is skilled biased; hence, unskilled workers are getting low paid which is causing the rising of economic inequality. The contextualization of the causes of the rising of economic inequality poses question mark on the idea of universal case which has been very dominant concern of the empirical studies.

The causality theory explains that the cause is an independent variable and the effect of which is a dependent variable. This means that the existence of the cause is bound to produce effect, but not the other way around. In this schema, the elimination of the effect would require elimination of cause *per se*. Once one comes to know the causes of the social phenomenon such as the rising of economic inequality, it becomes very easier to search for the solution of the problem of the inequality. But the finding out the causes of the rising of economic inequality also requires finding out whether the causes are necessary or sufficient. A necessary cause is that cause whose absence prevents the happening of effect, but the presence of a necessary cause does not guarantee materialization of the effect. However, the sufficient causes are those causes whose collective presence is bound to produce effect. While analysing the current avatar of the ‘inequality question’, my focus is also to finding out necessary causes and sufficient causes of the rising of economic inequality.

My focus on the exploring the causes of the rising of economic inequality is directed towards the finding out the solution of what Pope Francis calls the ‘greatest evil’. This social evil has huge potential of disempowering marginalised people which is one of the greatest obstacles in the emancipation of these people. The elimination of the cause means eliminating obstacle from the way of emancipation; this is the reason why Habermas calls social sciences have emancipatory task which cannot be achieved without having tool of explanation. Taking clue

from Habermas, the explanation of the ‘inequality question’ is offered in the second chapter of this research, and the solution of this problem is discussed in the third chapter.

I have already mentioned that my research uses qualitative method with the multidisciplinary approach, the reason behind this is the rising of economic inequality has begun with the advent of the financial globalization in 1970s. The financial globalization has compressed time and space as a result of which interconnectedness and interdependency between states and individuals have increased. The increasing of the interconnectedness and interdependence has led to the emergence of the idea of global economy and for managing which, there emerged a mechanism called the global market. The global market has changed the nature of capital by provided free movement as a result of which, there is an emergence of the global capital. In the era of globalization, the global capital has started dominating labour in the global market which is one of the causes of the rising of economic inequality. The cause of the rising of economic inequality lies in the global market; therefore, solution of this problem also needs to be explored in the global market. This issue raises question about the interrogating principles on the basis of which the global market is supposed to be regulated.

The rising of economic inequality has highest escalating potential in social, economic, political and ecological spheres of human life in the twenty-first century. And for studying the implications of any phenomenon in these spheres of human life, several binaries emerged and then corresponding to this, modern disciplines of social sciences have got emerged. But the globalization has blurred the boundaries of old binaries such as political and economic, domestic and international, and up to some extent material and ideal. This blurring has created crisis for the modern disciplines of social sciences in studying the complex implications of the globalization such as the rising of economic inequality. This is the reason why the study of the ‘inequality question’ has been transcending the narrow boundary of economics and has been entering into other disciplines of social sciences. These developments have been demanding for adoption of multidisciplinary approach. The demand for the multidisciplinary approach has pushed social sciences to look into the political economy because modern disciplines of social sciences have got evolved from the classical political economy as a result of which the classical political economy is referred as the mother of social sciences disciplines. In the analysis of the rising of economic inequality, the best example of the political economy approach would be Thomas Piketty’s seminal book *The Capital in the Twenty-First Century* which has used old tools of classical political

economy such as land, labour, population, and taxation for explaining the current status of the economic inequality.

## ON THE CHAPTERS

The whole text is organised around the economic inequality which has been rising since 1970s with the advent of the globalization and neo-liberalization. The rising of economic inequality also coincides with the phenomenon of the ‘second wave of democratization’. The chapter one deals with the meaning of the current avatar of the ‘inequality question’. The meaning of the ‘inequality question’ varies from time and space which this chapter categorically underlines. The proceeding discussion in the first chapter explores whether the current ‘inequality question’ is a moral/ethical question? The moral/ethical question is evaluated through two ways, whether inequality is intrinsically good or bad, and whether inequality is consequentially good or bad? There is nothing which makes inequality intrinsically good or bad, it is the consequence which makes this phenomenon good or bad. The inequality involves measurement, so it has also been seen as technical/scientific question, but the current avatar of the ‘inequality question’ is neither technical nor scientific. The social process also shapes the inequality; therefore, it is assumed that the ‘inequality question’ might be social question. But the undercurrent theme of the first chapter is that the current avatar of the ‘inequality question’ is a political question because it is shaped by the political force especially the decision making structures of the public institutions. In addition to this, politics decides the levels of inequality in the country; therefore, the ‘inequality question’ is a political question.

The rising of economic inequality is marked with the advent of globalization in 1970. Therefore, the inequality is seen as an effect of globalization. The globalization has destabilised traditional binaries such as domestic and international; political and economic; and ideal and material. This destabilization has created severe crisis for the modern disciplines of social science in explaining the complex phenomenon of the globalization. The inequality is intertwined with the globalization; therefore, it has followed the same path. This problem demands the studying inequality with multidisciplinary perspective. This idea has further lead to the development of new approaches of studying inequality namely capital-labour ratio approach, difference approach, institutional approach, jurisprudence approach and the collective action approach. These approaches use the fundamental variables of the

economy such as land, labour, capital, and population for analysing the rising of economic inequality. These approaches not only provide tools for the analysing causes behind the rising of economic inequality but also solutions of this problem.

The chapter two deals with the causes of rising of economic inequality, and there are two causes. The first cause talks about the technological revolution which has been resulting into the rising of economic inequality. And the second cause talks about the globalization led de-democratisation. The technological revolution has been transforming the capitalist economy from Fordism to knowledge economy. The knowledge economy is biased in favour of skilled workers as a result of which it has been pushing the unskilled workers in the informal sector. Thomas Piketty demonstrates that this shift is prime cause for the rising of economic inequality worldwide. But the technology acts very differently across the countries; the countries which have not achieved demographic dividend, mostly developing countries would see different pattern of the rising of economic inequality whereas the countries which achieved demographic dividend mostly developed countries would see different pattern of the rising of economic inequality. In terms of demographic dividend, USA is like developing country. The developing countries have huge population, with lack of resource; therefore, they are unable to provide technical education to such as huge population. The inability of developing countries in providing technical education to huge working force which has reduced the productivity of workers, which is causing unemployment and low salaried jobs. The final outcome of this process is the widening gap between the income of skilled workers and unskilled workers. But the technological advancement has been playing its role in the rising of economic inequality very differently in developed countries. The developed countries are witnessing either very slow growth rate or negative growth rate in population, as a result of which, the inherited property is not getting divided. The children of the property holding class are earning huge money out of rent. This phenomenon has been resulting into turning the economy of the developed countries into the 'rent seeking' economy.

The second cause of the rising of economic inequality is related to the globalization and neo-liberalisation. The globalization has led to emergence global economy which is managed through global market. The globalization has been pushing countries for submitting economy to the global market. The submission of economy to the global market has been resulting into going away of the economy from the preview of state. In recent time, two other field, health and education are also following the path of economy. The cumulative result of this is that these areas are gradually getting away from the preview of state. This process is called as 'de-



democratization'. Despite the 'third wave of democratization', the economic inequality has been rising since 1970s; the principle reason behind this phenomenon is 'de-democratization' which is further an outcome of the globalization and neo-liberalization. This process has further weakened the inbuilt mechanisms of democracy which were supposed to reduce inequality.

The phenomenon of the rising of economic inequality is predicted to be continued in the twenty-first century, and its potential to get escalated in other spheres of the human life has motivated scholars of inequality to examine the solution of this problem. The chapter three examines the solutions of the problem of inequality. Looking into the solution of the problem of the rising of economic inequality does not mean looking for perfect economic inequality because perfect economic inequality is unworkable and undesirable since it is anti incentive. The lack of incentive destroys the productivity and growth of the economy; therefore, the contemporary scholars of inequality do not argue for bringing perfect economic inequality but for bringing equity in economy.

This chapter provides detailed discussion of the number of interesting mechanisms such as basic income based on the participation, child care income, old age pension, social security, and public investment in technology and human resource development which are essential for bringing equity and for solving the problem of the rising of economic inequality in the twenty-first century. In addition to this, this chapter also emphasises for re-democratization of the international economic institutions as well as domestic economic institution for solving the problem of the rising of economic inequality.

## CHAPTER ONE

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### THE 'INEQUALITY QUESTION'

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How does the dawn of the twenty-first century have been caught up in the conundrum of the 'inequality question', the introduction section has already highlighted this fact. However, this has become possible only because of the technological advancement which has led to widespread decimation of the information about the rising of economic inequality in the society. The people in the twenty-first century are day by day becoming more and more aware about the ill-effects of inequality. This fact has got revealed in the research findings of the Pew Research Centre's Global Attitude Project which asked the respondents in 2014 about the 'greatest danger of the world'. The researchers came to know that the 'concerns about inequality trump all other dangers' in so far as the United States and Europe, are concerned. This finding of the Pew Research Centre's Global Attitude Project raises a very pertinent question- what is the 'inequality question' and why people are getting worried about this? The worry of the people further pushes us to ask a complementary question that 'what approach needs to be adopted for studying the 'inequality question' in the twenty first century'.

The brief survey of historical trajectory of the 'inequality question' reveals the fact that it is a 'perennial question' whose 'universal solution' has always been contested in different time and space, as a result of which, its concern has always got changed. Now, the rising of economic inequality in general and in particular, the widening of income difference between the world's top one percent and rest 99 percent is the main concern of the current avatar of the 'inequality question'. It needs to be noted that, historically the 'inequality question' has different meanings according to socio-political contexts. This time, worldwide rising of economic inequality is the prime concern but prior to this, and immediately after the Second World War, the main concern of the 'inequality question' was the decline of inequality. Within the increasing inequality, research findings reveal that it is a global phenomenon which has been causing an emergence of a 'super rich' class. This super rich class is global in nature and it constitutes the 'top one percent' richest people of the world. This top one percent people own more than the remaining 99 percent. Anand and Segal (2017) describes, the global top one percent constituting of highly paid professionals of rich countries;

capitalists, large landowners and senior executives of both rich and poor countries; this class also includes global professionals and technocratic elites; they travel internationally, and are often educated internationally; they meet one another, do business together, and share experience; therefore, they are more likely to share a language, culture and worldview than other income group. This uniqueness of the top one percent makes them like a class. On the other hand, the remaining 99 percent does not have anything in common, except their income; hence, they do not look like a class. This is the intensity of the increasing inequality which the current 'inequality question' tries to deal with. The possibility of multiple implications of the rising of economic inequality especially its escalation in the social, economic, political and ecological spheres has forced the meeting of World Economic Forum-2012 at Devas to judge the 'severe income disparity' as the single most likely risk with highest potential impact. This potential impact of the inequality has pushed the Oxfam International to describe the status of inequality<sup>1</sup> as an 'escalating inequality crises'. This reason has also pushed Pope Francis to declare the inequality as 'the root of all social evils'.

### 1.1 THE NATURE OF 'INEQUALITY QUESTION'

The prime concern of the 'inequality question' in the twenty first century is the increasing economic inequality where the income of the global top one percent is increasing rapidly. This phenomenon has possibilities of getting further escalated in the other spheres; therefore, it requires immediate attention. Keeping in mind about the current avatar of inequality, the proceeding discussion would reveal the undercurrent nature of the 'inequality question', and by which, it would further provide vistas of approaching the problem of inequality.

The first concern which might be raised against the current avatar of the 'inequality question' is that whether it is a moral question. The moral question demands solutions drawn from the norms and values which further pushes for making ideological speculations that results into producing biased and value loaded judgements. Carsten Jensen and Kees van Kersbergen (2017) describes four ways of evaluating inequality in the normative political theory. First, evaluating inequality intrinsically which pushes one to interrogate whether inequality is bad in and of itself. Second, looking inequality instrumentally, in which analysis about inequality is made while keeping in mind about its consequences. Third, analysing inequality from the standpoint of virtue ethics, and particularly capability approach of Amratya Sen (1989) and

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<sup>1</sup> The wealthiest 1percent globally own more than the remaining 99 percent and 8 men now own the same amount of the wealth as the poorest half of the world, as cited in Segal and Anand (2015).

Martha Nussbaum (2006) where inequality is seen as bad only if hinders human being from using their power (virtue) to flourish the functioning. And finally, the inequality can be looked from the functional, evolutionary, and pragmatic prospective which sees the right norms for the acceptance of the level of inequality in the society. The last two ways- virtue ethics and pragmatic and evolutionary view are more or less consequential in nature; therefore, they can be submerged in the instrumentalist way of analysing inequality. In nutshell, in normative political theory, the inequality question can be broadly evaluated in two ways- (1) as morally either good or bad and (2) as having good or bad consequences. There is nothing morally wrong with inequality in and of itself, and if inequality is a cause of concern, it is because of the negative consequences in areas that are crucial to people's life and well being, including income anxiety, health problem, low life satisfaction and low social mobility (Jensen and Kersbergen 2017).

It needs to be worth mentioning here that the classical thinkers such as John Locke, Jean Jacques Rousseau, Karl Marx etc. were much more worried about proving normative concerns about the inequality. Locke's theory of private property still serves as the strongest defence against redistribution, creating inequality. Locke argues that life, liberty and private property are natural rights and the state has come into existence for protecting these natural rights. According to Locke, human beings acquire private property by inter-mixing their labour; therefore, taking away of private property would be depriving one from their own labour. This ethical argument of John Locke in defence private property is still used against the demand for redistribution. The non-fulfilment of the demand of redistribution is primary reason for the increasing inequality.

Jean Jacques Rousseau also helps us to understand ethical/moral concerns about inequality<sup>2</sup>. Rousseau conceptualises two kinds of inequalities among the human being. The first is natural/physical inequality which is established by the nature and it includes age difference, health, bodily strength, and the qualities of mind or soul; and the second is the moral/political inequality which depends on the kind of convention that has established it, or at least authored by the consent of men. The latter comprises of the different privileges, which some men enjoy to the prejudice of others; such as that of being more rich, more honoured, more powerful or even in a position to exact obedience (Rousseau 2015). Rousseau was neither interested in finding source of natural/physical inequality nor finding relation between

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<sup>2</sup> For elaborate knowledge of inequality, see Rousseau's classical treatise *Discourse on Inequality* (1754)

natural/physical inequality and political/moral inequality since he strongly believed that the former is unalterable whereas the latter is alterable. Therefore, his interest was merely to find out the cause of genesis of the political/moral inequality, for which, he discovered that the invention of private property has led to the genesis of political/moral inequality. He argued that it is worthless of asking about the source of natural inequality since he thought it is unalterable, but he also thought that there is no connection between two inequalities; as a result of this thought, the search for the connection between physical/natural inequality and moral/political inequality is also fruitless exercise. The close examination of Rousseau's assertion that 'it is useless to examine the source of natural inequality' is nothing but philosophical justification of inequality on the pretext of projecting it as natural. Nowadays, Rousseau's idea of natural/physical inequality is studied under the conceptual category called 'difference'. Moreover, the research has also established strong relation between political/moral inequality and difference. The impact of political/moral inequality on difference is measured with the variables such as life expectancy, happiness, etc.

The normative concerns of inequality are also strongly present in the thoughts of Karl Marx. While agreeing with Rousseau's argument that the invention of private property is the principle reason behind genesis of political/moral inequality; the major thrust area of Karl Marx has been to find out the universally applicable law of inequality. With the help of the law of inequality, Marx not only propagated the idea that the economic inequality is increasing, but also thought of the solution for the eradication of inequality. His critique of capitalism as well as appeal for eradication of inequality was solely based on the ethical argument, towards which David Hume has also indicated. Marx argues that the march of capitalism spreads the capitalist mode of production where the means of production are controlled by the bourgeoisie class. In its onward march, capitalism not only captures all other modes of production but also destroys them while finding them rivalry. This results into empowering the bourgeoisie class to capture all means of production and leaving the proletariat class only with their labour power. Once the workers remain only with their labour power, they are bound to work in capitalist industry. In those industries, goods get produced with the intermixing of labour with the capital. It is the workers who inter-mix their labour; therefore, workers entitled to get the share in the profit of produced goods. But in the capitalist system, workers are paid only once and that is at the time of the production of commodities, whereas when commodity comes into market circulation, its price gets further increased. At this juncture, workers do not remain present to take the share of their labour, as

a result of which, only owner of the capital accumulates the surplus value produced on the goods. This mechanism of capitalism accumulating surplus values at indefinite level is the law of inequality which Marx has proposed. According to Marx, this mechanism of distribution is exploitative for workers since workers do not get due share of the price of labour which they intermix with the capital for producing goods. This remark of Marx on capitalism is purely based on ethical/moral proposition, according to which one is the sole owner of one's labour, so are the workers.

Marx's argument that in market economy, once the good is circulated in the market, the price of the good gets added at various stages. Now, in market, workers are not there to take their due share at every stage i.e. share of labour; and only owner of good remains present there to collect all value added to the price of goods. This process results in the domination of capital over labour what Marx calls 'commodity fetishism'. The commodity fetishism promotes domination of capital over labour, resulting into not only the creation of income inequality but also the increasing of inequality. The value addition in the market is an indefinite process, as a result of which, the accumulation of surplus is also an indefinite process. This indefinite accumulation of surplus value by capitalism is the law of inequality which Marx seems to have proposed for the rising of economic inequality. This law is derived with the help of ethical proposition that one is sole owner of one's own labour. Therefore, it can be argued that Marx also dealt with the ethical/moral question of inequality.

It is worth mentioning here that not only the classical thinkers have used normative propositions for analysing the problem of inequality but also some contemporary scholars have also followed the same path. While reading the Indian debate on the relationship between reform led growth and inequality, one come across the fact that the critics of opening up of Indian economy such as Atul Kohli argues that this act has led to the widening of economic inequality in India. But the protagonist of the openness, Jagadish Bhagawati and Arvind Panagariya (2012) respond the critics by posing counter question that how income of a person living in metropolitan city affects the life of another person living in a remote Indian village<sup>3</sup>. Both goes one step forward while arguing that with income of one person, another person should not get worried unless it is going to harm the latter. Using normative

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<sup>3</sup> Bhagawati and Panagariya (2012) question very motif of the measuring inequality, 'if incomes increase in Mumbai but not in Ratnagiri district of Maharashtra, evidently inequality of income has increased between Mumbai and Ratnagiri. But if those living in Ratnagiri are not comparing themselves to what is happening in Mumbai, why is this inequality measure of any relevance?' see India's Tryst with Destiny (2012), pp. 56.

proposition while analysing inequality has been very normal practice in the Indian academia but the 'inequality question' which this research tries to deal with is beyond the moral concerns of inequality. The reason is very simple that the current avatar of the 'inequality question' deals with the problem of the rising of economic inequality, and our business is to find out the causes and the solutions of the one of the greatest social evil which has potential to get escalated in other spheres of our life in the twenty-first century. We move on doing this task by making causal analysis of this phenomenon.

The contribution of Locke, Rousseau, Marx etc. on inequality makes it clear that the concerns for inequality are very much old. But when we see long history of debate on inequality, we can divide it in terms of old debate and new debate. The old debate on inequality was heavily inspired by the normative theory and natural sciences, where the chief concern was to find out the law of inequality which could be universally applicable. Probably Rousseau was the first liberal philosopher who argued that the invention of private property as the main reason behind the genesis of political inequality. Likewise, Karl Marx argued that though inequality was originally invention of the private property but its rise has been due to the ability of capitalism to accumulate surplus value till infinite level. This also needs to be noted that the old debate was more theory oriented. It was a normative debate as a result of which, its arguments were based on the value judgement.

The new debate on inequality contrary to the old debate is based on empirical analysis of facts and data. Therefore, the main focus of the new debate is measuring the inequality. The measurement question deals with two concerns- what to measure and how to measure? The question of 'what to measure' focuses on studying either earning or wealth. Earnings refer to the income that people make every year, or whatever other time period one is interested in, from having a job, self-employment, public transfers, or getting rent from various capital assets such as stocks, savings and houses (Jensen and Kersbergen 2017). The earnings inequality is referred as inequality in labour market, the measurement of which further raises concern whether attention should be on earnings before or after redistribution, i.e. after taxes have been paid and social benefits received. The scholars normally pay attention to post-redistribution earnings because this captures people's disposable income, i.e. what is available for housing and other everyday living facilities.

The next concern of measuring inequality deals with the method of 'how to measure inequality'. The measurement deals with statistical measures which includes measuring mean

income, median income and ratio income. The median income which is defined as the income of person who occupies the middle space in the line of people is lower than the mean income. The ratio income talks about the income of two groups that might be percentile/decile/quintile etc. The ratio income approach is flexible in study but it does not give complete picture about whole population. The current inequality question which deals with the income of world's top 1percent and the rest 99percent is based on the ratio income approach.

The issue of measuring inequality has made the debate on inequality a technical question. In this context, one pretends to ask, is the current 'inequality question' is also a technical question? I would demonstrate that though measurement has been one of the central concerns of the inequality debate but the current 'inequality question' is beyond technical question. The reason for this is that the current debate on inequality is in public domain which can be seen while taking example of recently held presidential election of the USA, where democrats made increasing inequality as an election issue. The research findings of the Pew Research Centre's Global Attitude Project also reveal the awareness of the common public about this issue. The recognition of income disparity as the single most global risk having one of the highest potential impacts at the meeting of the World Economic Forum held in Devas in 2012, has also made this issue public issue. In addition to the political statesmen, the entry of spiritual leaders in the debate on inequality has brought it, out of the rooms of conference and seminars. The Pope Benedict has described economic inequality as 'the root of social evils'.

It needs to be noted that the liberal democracy has tendency to shift the process of decision making towards experts. Through this mechanism, liberal democracy represses the political and social questions making them merely a technical question; in this way, the liberal democracy preserves its inevitable elite character. This act of the liberal democracy reinforces inequality and ultimately results into the rising of economic inequality. The economics disciple has caught up in this logic of liberal democracy and assumed that the 'inequality question' is merely technical question. Therefore, when we see the literature on inequality in the Economics, we find that this discipline has taken lead in analysing the 'inequality question' but its major concern has been measuring inequality. The question of measurement cannot be dealt without importing statistical method. The Economics has taken lead in importing statistical method for analysing social phenomenon. It is the import of the statistical method which has made economics disciple to heavily rely on the abstract



mathematical modelling, towards which Piketty (2014) has cautioned while analysing inequality.

The debate on inequality in economics has been heavily concentrated around measuring inequality. The measurement has been dependent on making abstract mathematical modelling. This task has given rise to another question whether inequality has been rising or declining. The measuring of rising/declining inequality requires voluminous data collection. The meaning of those data gets unfolded with descriptive and inferential statistics. It needs to be noted that economics not only measure rising/declining of inequality but also the consequence of this phenomenon on growth, equity, efficiency, productivity, competition, social mobility etc. The impact of inequality is measured by discovering its implications on the life of people. The rise of behavioural school in social sciences in general and economics in particular has attempted to map how people perceive about inequality.

In the last couple of decades, the other disciplines of social sciences, mainly sociology and political science has also made some attempts to enter into the debate on inequality. But they have also fallen in the same trap as economics. The scholars of these disciplines have also tried to analyse inequality while importing statistical methods, as a result of which, their attempt to analyse the problem of inequality seems to have suppressing the social and political nature of this question and reducing it to merely a technical question. The limitation of correlation and regression analysis of statistical method in mapping macro social and political processes in the increasing/decreasing inequality suggests that the 'inequality question' cannot be reduced merely to a 'technical question'. The recent volume of Thomas Piketty criticises social sciences in general and economics in particular for a 'childish passion for mathematics and for purely theoretical and ideological speculation' (Piketty 2014: 32). This passion along with the 'foolish disciplinary squabbles' has reduced the 'inequality question' merely a 'technical question'. Piketty suggests that the concerns of the 'inequality question' are beyond to be technical. Those concerns need to be studied across the disciplines of social sciences.

The concerns of inequality also go in the social sphere. There are two reasons behind this. First, economic inequality is also shaped by the social forces and social institutions based on the primordial identities such as race, religion, ethnicity, caste, and gender; and second, the rising of economic inequality results into exclusion, discrimination and oppression. The cumulative outcome of these is seen in terms of adverse impact on the social mobility of the

marginalised groups who become worst victims of the rising of economic inequality. The social exclusion further promotes social conflicts, which reduces working capacity of the people. In nutshell, it would not be wrong to say that economic inequality reproduces social inequality.

The reproduction of economic inequality in the social sphere as well as its broader implications on society in terms of social mobility and social conflict indicate that the 'inequality question' is a social question. In addition to this, the role of social forces and the social institutions such as caste, gender, race, and ethnicity in the genesis of the economic inequality also cannot be ruled out easily. Especially, in India where caste as a social institution is a 'graded inequality' as a result of which the social location of individual on the ladder of caste hierarchy decides the fruit of one's own labour. The similar is the case with the gender, where women have been subjected to do unpaid domestic work since time immemorial. Therefore, the discussion about the structure of economic inequality cannot ignore the social forces and social factors. The most phenomena including the rising of economic inequality has their route in the past, and past has been shaped with social factors, therefore, it is very tough to rule out that the possibilities that the 'inequality question' is not a social question. But the mandate of this research is to interrogate the undercurrent causes of the rising of economic inequality since 1970; therefore, this research avoids entering into the discussion on the social causes of 'inequality question'. However, this does not mean that the implications of the rising of economic inequality in social spheres in terms of social mobility are also ignored. It is this social consequence which helps us to make argument about the wrongs associated with the economic inequality.

The current 'inequality question' is a political question. The reason behind this is that the ongoing debate on the inequality is largely looking into the causes and solutions of the rising of economic inequality. So far as the causes of the rising of economic inequality are concerned, there is wide spread consensus among the scholars of inequality that the current avatar of the economic inequality is due to political reasons that is nothing but the decisions of the government and public institutions (Stiglitz 2012, Piketty 2014, Atkinson 2015, Hopkin 2015). This position seems contradicting the popular belief that the inequality is exclusive product of the market forces, but the reason is more nuanced. It is still true that the market forces shape the degree of inequality, but the government policies shapes those market forces which are causing rising of economic inequality; therefore, much of the

inequality that exists today is a result of government policy, both what the government does and what it does not do (Stiglitz 2012). Similar to the observation of Stiglitz, Piketty also believes that the current problem of the 'inequality question' is political in nature and it can be effectively solved with political solution. In support of his argument, he takes example of the post-world war period which saw decline of economic inequality, first ever in the history. The reason behind that decline was the welfare policies of state which came in response to the external shocks of the Great Depression and the World War. Since 1970s, the state has started withdrawing welfare policies which has been resulting into the rising of economic inequality.

The current 'inequality question' is a political question; the main reason behind this is that it is politics that decides what should be the level of inequality in any country and the path which country will choose for increasing or decreasing of economic inequality. In addition to this, the 'inequality question' cannot be settled in an objective manner, it depends on each individual's own norms and worldview; therefore, this makes inequality as a fundamentally political, not scientific, question (Jensen and Kersbergen 2017).

The issue of 'inequality question' being a political question raises the concern about how this question needs to be studied. The first challenge in this regard is methodological. What should be the methodology for studying the current 'inequality question'? Can we study the current 'inequality question' while exclusively relying on any particular methodology. The answer is negative. The reason behind this is the globalization. The economic inequality has started increasing since 1970; the year which coincides with the beginning of financial globalisation. The globalization has led to the emergence of a global economy and for managing which there is emergence of global market. States have withdrawn from the economic issue and have more or less surrendered the economic issues for the global market. The appeal of state to withdraw from economy and surrender it to the market is cardinal principle of liberalism. The classical liberalism, both utilitarian as well as social contract schools have argued that state should refrain from economy on the pretext of assumption that the market has natural law which will manage the economy if it would be surrendered to the market. The natural law which Adam Smith referred as 'invisible hand' of the market was believed to be universal.

With the advent of second wave of globalization the debate on the universal law has got completely changed. This new debate is not concerned about finding out the universal law of

market functioning, since nowadays, it has become a heavily contested theme whether such universal laws exist or not. The present debate on market economy is much more concerned about the human made law which are causing the rising of economic inequality. This has been happening because of the emergence of the second wave of globalization and neo-liberalism which assumes that state should interfere in the market only for designing law for ensuring security and maintaining competition. This idea is referred as neo-liberalism which is a departure from the postulates of the classical liberalism that there exists an 'invisible hand'<sup>4</sup> in the market that would maintain demand and supply provided state should have 'limited interference'<sup>5</sup> or 'minimum interference'<sup>6</sup>. Up to some extent the neo-liberalism negates the existence of the universal law in the market. The market stands for maintaining efficiency which can be only done by ensuring competition in market and providing security to the private property. The market competition is supposed to create efficiency which would ultimately result into just distribution of goods and services.

It needs to be noted that the widespread acceptability of the postulates of neo-liberalism in the era of financial globalization has changed the world economic order. On the one hand globalization has led to the emergence of a global market; and that global market has led to the emergence of global capital. The global capital further subordinates the labour because of its global nature. On the other hand, globalisation has also led to the emergence of a network society. In such society, there are multiple nodes which are connected with each other. Now if anything happens with one node, it is bound to affect other node. This can be better understood while taking recent example exit of Britain from the European Union. The similar was the case of the great recession-2008 which has pushed scholars to analyse its causes and consequences. The association of 'inequality question' is with the emergence of the globalization makes story very of inequality very complex. The reason behind this is the multiple implications of globalization on every sphere of human life. The implication of globalization is on every sphere of human life poses serious limitation on the discipline of social science to provide proper explanation. The increasing inequality is the product of the globalization; therefore, same is applicable in case of the rising of economic inequality. Therefore, it is argued that the inequality phenomenon cannot be studied without adopting

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<sup>4</sup> The 'idea of invisible hand' in the market was propounded by Adam Smith in his book *The Wealth of Nations* (1776).

<sup>5</sup> The idea of 'limited state intervention' in the market comes from the social contract theorists like John Locke.

<sup>6</sup> The idea of 'minimum state intervention' in the market comes from utilitarian liberals like J.S. Mill.

multidisciplinary approach, towards which Piketty (2014) has appealed to leave for 'foolish disciplinary squabbles' while analysing inequality.

The demand for adopting multidisciplinary approach for studying the inequality phenomenon which is product of globalization has been destroying the rigid boundaries of the social science disciplines, at least mainstream disciplines of social sciences such as economics, political science and sociology. The new approach of studying the globalization and its outcomes such as the rising of economic inequality is the political economy approach. The political economy is such area where major disciplines of social sciences- economic, political science and sociology meet, because all these disciplines have emerged from the classical political economy, whose central assumption was to find out natural law for explaining economic phenomenon. The new approach departs from that tendency, and opens the window for blowing fresh air, so far as the study of the current 'inequality question' is concerned. Before moving on discussing the new approach, prior concern of mine is to explore how social sciences in general and political science in particular has studied inequality prior to the great recession.

## **1.2 THE 'INEQUALITY QUESTION' AND SOCIAL SCIENCES**

The modern disciplines of the social sciences have evolved on the basis of the nature of the subject matter it deals with. This evolution is dated back in the latter half of the nineteenth century and the first half of the twentieth century. The classical political economy has been the mother of the major social sciences disciplines, which used to analyse any social phenomenon while taking land, labour and population as main variable for analysis. It was economics which first came out from classical political economy, on the demand of the subject matter, that the economic phenomena are technical in nature which demands scientific analysis. The scientific study was to be done while incorporating statistical method. Following the path of economics, sociology came out from the classical political economy for studying social phenomenon. Likewise, political science came out from the classical political economy for studying the state and political phenomena.

From the disciplinary perspective, when we talk about inequality in general, it has got much attention in economics. However, other disciplines of social sciences such as history, philosophy, political science and sociology have paid very little attention on studying this subject. The main reason behind this is the nature of the subject matter. The study of

inequality has been over concentrated on making factual analysis of the social phenomenon. The emergence of the fact based analysis has resulted into overburdening the social sciences disciplines with the question of measurement. Whether inequality is increasing or decreasing has been dominant concern of the debate on inequality? And how to measure inequality has been contingent question of the previous one? The questions related to the measurement have been suitable for economics because it has incorporated statistical method, but unsuitable for sociology, history and political science. This is the reason when one briefly looks into the literature on inequality; one finds that economists have paid disproportionate attention on the 'inequality question'. Within the economics, the models based on the game theory have been one of the very popular modes for analysing social phenomena in general and inequality in particular. The game theory assumes that market is just like a game where rules of which are designed by state or state institutions. The individual, participating in the market is a rational actor, interacts with other individual for self-interest. All social institutions have come into existence only because of the interaction of rational human beings who have come together for forming such organization. The individual interaction needs analysing the study of behaviour. Therefore, the study of inequality in economics has also done in its branch of behavioural economics.

Next to the economics, sociology has also paid some amount of attention on the 'inequality question' but the prime concern of theirs have been finding out the impact of the rising of economic inequality on social mobility, discrimination, social exclusion and social conflict. Following the path of economists, sociologists such as Mike Savage, Lucinda Platt etc, have done this task by importing statistical method in their analysis. In addition to this, with the help of indispensable qualitative method of ethnography, sociologists have paid great attention on studying production process. They have been trying to interrogate the 'inequality question' with the help of anthropological theories of production and distribution process.

The historians seem to have paid least attention on the 'inequality question'. The one reason behind this might be the changing nature of the subject matter which they deal with. The historians seem to be too much caught up in the understanding of past phenomenon. This act of theirs has forced them to leave the issue of causality. The causality theory provides cause of the phenomenon. The cause helps us to provide proper explanation of the phenomenon. The 'inequality question' has potential of explaining the past phenomenon, just like Tocqueville who provided causal explanation of the French Revolution, according to whom

the regional inequality was the main reason behind the revolution. The Marxist historians who were supposed to provide historical study of inequality with the help of class analysis, but they failed to do so since they got over-relied on the ideological speculations. The result of the ideological speculation was that in the post-war period, when inequality started declining, the Marxist mode of analysis faced severe challenges, and within Marxism there emerged the structural Marxism. The newly emerged school further pushed back the 'inequality question' from the main stream discourse.

### 1.3 THE 'INEQUALITY QUESTION' AND POLITICAL SCIENCE

The post-war period registered decline of inequality, and this good news was brought by Simone Kuznets. On the basis of his empirical study, Kuznets argued that with the advancement of capitalism inequality would further decline. The period of the decline of the inequality coincided with the period of the 'second wave of democracy' which started because of decolonization. The democracy promises the restructuring of society on the principles of equality, liberty and fraternity. Since the decline of inequality was observed with the onward march of democracy, so a causal link was made that the inequality got declined because of the spreading of democracy. It needs to be noted that before the formal announcement of the decline of inequality, the Marxism has been very dominant theory for analysing social phenomena in social sciences in general and political science in particular. On the basis of ideological speculations, Marxists had already made observation that inequality would increase with the onward march of capitalism. But when the inequality was registered to be declining despite the onward march of capitalism, the Marxism faced crisis. That crisis got solved only with the coming of the structural school of Louis Althusser.

For explaining the causes of the decline of inequality, there emerged the 'structural-functional school' in political science and sociology. The structural-functional school, while applying the 'modernization theory' made an attempt to provide explanation of the decline of inequality in the post-war period. It is argued that it was the explanations of the 'structural-functional' which latter sidelined the 'inequality question' in political science (Hopkin 2015). On contrary to the Marxism where capitalism was understood as a system of producing conflict-ridden society, that conflict was supposed to bring revolution and that was supposed to solve all problems. The structural-functional school propagated the idea that that the modernization of society would bring cohesively moving parts of society together

and it would produce a stable system. The 'modernization theory' added teeth to the belief that the economic development would be a route to social peace and democratization, because it would generate a middle classes which would always push other classes for rational and cooperative solution for social conflicts. Both modernization theory and structural-functionalist approach resulted into increasing analysis of institution, federalization, party competition etc. which were supposed to act as mechanism of bringing diverse and apart moving societies on a table. This process has gradually left the 'inequality question' from mainstream political science discourse.

In addition to Marxism, the behavioural school in Political Science, up to some extent paid attention on studying the 'inequality question'. The prime concern of this school was to explain the phenomenon of inequality with the help of measuring the attitude of the people. But the decline of the behavioural school in the post war period and the rise of normative school in later 1970s resulted into inequality being further pushed back from the discourse of Political Science. In the rise of normative school, the egalitarian philosophers such as John Rawls and Ronald Dworkin played very significant role. The normative school excessively focused on the normative aspect of the 'inequality question' as a result of which the question of economic inequality got back benched.

The decline of class as an instrument of analysing political phenomenon is one of the main reasons behind the pushing back of the 'inequality question' in Political Science. In this, the rise of new social movements and environment movements has also made important contribution. The emergence of these movements has further led to the rise of cultural studies, area studies, and subaltern studies which latter forced the political scientists to shift their attention from redistribution of material goods to the non-material goods which are also considered to be source of power. But the task of distribution of non-material goods is not easy since they are qualitative in nature; therefore, the political scientists have to move away from their earlier focus of redistribution to recognition which is to be done by adopting the path of inclusion and multiculturalism.

The implementation of the neo-liberal policies with iron hand in the regimes of Margaret Thatcher and Ronald Reagan, up to some extent brought back the question of inequality in the public discourse. But the class as a mode of analysis did not get back even in the new scenario. It was expected that the rise of neo-liberalism would bring back class as a mode of



analysis in context of the rising of economic inequality and up to some extent, the writings of Ralph Milliband shown the ray of hope, but the breaking down of Berlin Wall in 1989 and disintegration of the Soviet Union diminished all those possibilities.

The new debate on inequality has got struck with analysing the nature of the capital which has become global. The argument has been made that the global capital is dominating the labour in the contemporary times, as a result of which, public policies are getting failed and workers are getting worst affected. But the data revealed that the poverty has declined in the era of neo-liberal policies despite the rising of economic inequality. This fact has struck inequality debate with the question of poverty. Whenever argument is made about the policies of neo-liberalism is leading to the rising of economic inequality, the typical counter response of this observation is that it does not matter at all since the poverty is declining.

#### **1.4 THE 'INEQUALITY QUESTION': IN SEARCH OF NEW METHODOLOGY**

The post Great Recession 'Inequality Question' which has been analysed here is a political question because it deals with the rising of economic inequality, and the rising of economic inequality is outcome of decision making process of the political institutions. Or in other words, we can say that the rising of economic inequality is an outcome of political process which the nation-states have chosen to follow since very long. How the 'inequality question' is political in nature, the seminal works of two contemporary scholars, Joseph Stiglitz and Thomas Piketty is worth mention here. In his seminal books, *The Price of Inequality*, Stiglitz offers detailed analysis of the current status of inequality in the USA. According to Stiglitz (2012), the rising of economic inequality has made the equality of opportunity as a myth in the US society on which democracy is standing in the USA. He argues that US economy has been turning into a 'rent seeking economy', in which owners of wealth are disproportionately earning. Those wealthy people are holding enormous amount of power by using which they are able to influence public/economic policies in their favour. This is the reason why public policies in the US democracy are not reflecting the choice of the median voter. In the neo-liberal economy, though economy is managed on the basis of the rule of market but those rules are designed by the politics that means the phenomenon of the rising of economic inequality is an outcome of the vicious relationship between economic forces and political forces that shapes each other (Stiglitz 2012).

Nowadays, it is the market forces which are shaping the result of politics, as a result of which, politics is returning back by legislation of such rules which inherently benefit market forces. This is very much visible in the government policies which are getting devoid of the Median Voter Theorem. This deviation is an impact of turning of the US economy into a 'rent seeking economy' as a result of which whole political system and process seems to be becoming unfair. This unfairness is seen in terms of non-incorporation of people's choices in policy making which is turning people disillusioned, disenfranchised and disempowered. The cumulative outcome of all these incidents is that the people have started feeling powerlessness, the ultimate outcome of which is the declining of the voting turn out in the democracy of developed countries (Anderson and Beramendi 2008; Solt 2008; 2010: as cited in Jensen and Kersbergen 2017). In this analysis, Stiglitz takes departure from classical liberal understanding about the leaving economy to function on the natural laws of the market, and argues that there is no natural law in the market which can manage economy. The market runs on the basis of the artificial laws designed by human intelligence. It is the human made law which are running the market and causing to the rising of economic inequality; therefore, the reduction of the economic inequality requires the restructuring the laws of market.

The works of Thomas Piketty in bringing back the 'inequality question' are wondrous, since it is his work which has not only started debate on inequality with the multidisciplinary perspective, but also has brought back the role of low growth in terms of productivity and population in projecting the possibilities of escalation of inequalities in the twenty-first century. His works take departure from the earlier works which either exclusively rely on factual data while making inference about inequality or rely on abstract theoretical proposition for making ideological speculation about the rising of economic inequality. In addition to the collecting data of the twentieth century and ongoing twenty-first century, Piketty also uses unconventional data such as novels to demonstrate how wealth and economic inequality has been important source of power and prestige in society. He demonstrates that the economic inequality has been continuously increasing except the post war period of the twentieth century that saw decline of inequality worldwide. He argues that the reason for that decline was due to the progressive policies which state adopted in the post war period for overcoming from the exogenous shocks of the Great Depression and the World Wars. He further demonstrates that the current inequality has started increasing since 1970, the year marked with the advent of the globalisation. This analysis of Piketty disproves

Simon Kuznets hypothesis that the economic inequality would decline in long term as pace of development reaches at the advance stage.

Piketty argues that the arrival of low growth in population and productivity is the main reason behind the rising of economic inequality. The low growth rate of population is effectively causing the rising of economic inequality in developed country because the ownership pattern in the wealth is not getting changed. The outcome of this phenomenon is that the owners of land in cities like London, Paris, New York etc. are receiving huge amount of money out of rent. In the developing countries, the low growth in productivity is causing rising of economic inequality. The population of developing countries is so large that it has huge work force, but this work force is unskilled. The economy is turning towards the knowledge economy which favours the skilled workers as a result of which unskilled workers are getting pushed into the informal sector. This process is causing rising of economic inequality in the developing countries. The owners of wealth and capital are still at the advantageous position because it gives them undue advantage. It was supposed that the market economy would destroy the special privileges which one enjoy due to 'brute luck' of birth. The destruction of special privileges is necessary condition for creating equal playing field but the failure of the modern economy to destroy the special privileges which one enjoys due to earning of income from inherited property which is not product of their own labour, is creating an unjust social order.

Knowing the changing nature of capital and the process through which earnings from inherited wealth decides individual income is increasingly becoming a very significant issue since this is turning 'modern economy' into a 'rent seeking' economy. Piketty has done this task so passionately. The equality of opportunity principle which was supposed to curb the role of inherited wealth in deciding individual status in modern society seems to be working only in those societies which are yet to achieve demographic dividend but not in those societies which have already achieved demographic dividend. Piketty shows this by comparing the US society with the French society where large demography of the former makes the role of inherited wealth in individual income invisible, as a result of which, an illusion is created that the equality of opportunity principle is working properly. But in the latter society, the role of inherited property in individual income is clearly visible which proves that the equality of opportunity principle is not working properly; and hence, it cannot be made universally applicable.

The effect of rising of economic inequality is projected to be all pervasive in social, political, economic, and ecological spheres of human life. But the studies of economic inequality are intensely focused on accessing its impact in economy sphere in terms of growth, competition, efficiency etc. The result of which is the domination of this debate by economists. Just like the increasing inequality has consequence in the social and political spheres, the inequality has social and political causes. I have already mentioned that the current 'inequality question' has political causes. This is the reason why Piketty appeals economists for leaving the 'disciplinary squabbles and ideological speculation' and expanding the domain of inequality debate by adopting multidisciplinary approach. His appeal for expansion of the debate beyond economics has gone very well and following approaches have been emerged in the analysis of the current avatar of the 'inequality question'. These approaches have been carved out from the different disciplines of social sciences, as a result of which the study of economic inequality has truly become multidisciplinary in its nature.

#### 1.4.1 CAPITAL-LABOUR RATIO APPROACH

The use of capital and labour as variables for analysing economy has been very old method. This method was very popular among the theorists of classical political economy. The classical political economists were concerned about the question about 'what is the source of the wealth of the nation'. There was huge contestation whether the population or the land was the main source of the wealth of nation. The protagonists of population had argued that the population should be considered as the greatest source of the wealth of nation because it provides soldiers for army and for sustaining army; population provides money to the nation in form of taxation. By this logic, large population was supposed to provide more tax and by using which large army could have been maintained. In this way, the large population was seen to be strengthening the state. In addition to providing soldier, the large population was also supposed to provide large working force, which could produce more for state. This capacity of population raised further concern whether population was increasing or decreasing? These concerns about population can be traced back from Marques De Mirabeau's *The Friend of Mankind, or Treatise on Population (1756)*, the early of treatise on population that was written before the establishment of physiocracy- the school which later led to establishing the foundations of the classical political economy.

Whether capital creates surplus value or labour? The study of this question has been central concerns of the writings of Karl Marx. While studying the relation between capital and labour

in producing the surplus value Marx demonstrated that how capitalism is exploitative. Marx believed that the labour was the main force which produces commodities; therefore, the owner of the labour should always get his/her share at the every stage of value addition in the commodity. The capitalism fails to do this; therefore, it is exploitative.

In contemporary times, talking about income inequality mean difference between disposable incomes of individuals. The individual earns income from two sources- labour and capital. In addition to these two sources, individual also receives income from the transfer schemes of state. The individual sells his/her labour, manual or mental in the market and earn income since without intermixing labour, commodity cannot be produced. Similarly, individual also earns income by getting rent on capital because only by transforming the nature of capitals while inter-mixing labours any commodity can be produced. The inability of market to distribute the income between the owner of capital and owner of labour (workers) is perceived to be increasing economic inequality. But state can correct the market mechanisms by the swards of redistribution.

Thomas Piketty while analysing current status of inequality demonstrates that a particular section of the worker, namely senior executives comprises the upper section of the top 1percent of the super rich. And the rest of the top 1percent includes the entrepreneurial and industrial class. From this finding of Piketty and others, one can conclude that the mental labour is superseding manual labour, and the capital has still large say in deciding social status of individual in society. The ownership of capital gets transferred from one generation to another generation without getting divided since in developed countries population growth in very low even in some countries, it is negative. The transfer of property from one generation to another generation is creating inefficiency in economy as a whole because through this way non-meritorious people are earning more than what they deserve. This kind of earnings is seen as ethically wrong since it benefits person having 'brute luck' of birth.

In modern times, the capital has different forms. These different forms might be seen in terms of real estate, financial market, land etc. There exist laws for protecting capital and labour. But in recent times, those laws have been altered in such a way that it has been giving undue advantage to capital in comparison to labour. In addition to this, the laws related to the protection of labour have been purposefully weakened. These kinds of structural changes in the market has started giving disproportionate favour to capital over labour, as a result of which, economic inequality has been increasing. The structural relation between labour and

capital in economy is the most fundamental one. Therefore, the solution of the rising of economic inequality needs to be solved through focusing on the very structure of the market, that is, the relation between labour and capital. The current inequality debate has brought back the relation between capital and labour in analysing rising of economic inequality.

#### 1.4.2 DIFFERENCE APPROACH

The difference approach is a new method of analysing inequality. But this approach traces its route from the distinction between natural inequality and political inequality, which Rousseau made in his classical treatise *The Discourse on Inequality*, according to which the former is unalterable because it is natural whereas the latter is alterable because it is artificial. Nowadays, in political theory, the natural inequality is referred as difference. This approach tries to include concerns of gender, race, ethnicity, disability, sexual minorities etc. while analysing inequality. The current 'inequality question' is political since it is product of the decisions and policies of state institutions; therefore, the policies of states institutions needs to be analysed while keeping in the mind about the concerns of these social groups. In difference approach, there is disproportionate literature on the gendered aspect of inequality but this does not mean that the difference approach exclusively deals with the gendered aspect of inequality.

This approach assumes that the economy is not free from social and political, as a result of which, the inequality which these social groups suffer in the economic sphere is more due to political and social reasons rather than natural reasons. Taking clues from Diane Perrone's critique of Thomas Piketty and others, it can be said that the theorists of difference approach advocates for 'paying greater attention to the processes and social norms through which inequalities are produced and justified, and highlighting the ways in which inequality is experienced differently depending not only on class, but also on other aspects of identity including gender' (Perrone 2014). It should be noted that deploying these categories especially gender in analysing the problem of contemporary inequality would produce gendered inequality but it would assist us to make more in depth analysis of inequality.

The demography is another major concern of difference approach since it deals with the problem of diversity, old age and differently able people. The demographic dividend of countries gets changed after certain period of time. Like developed countries are witnessing the low population growth rate and even some countries are witnessing negative population

growth rate. This decline in the population growth rate is also sign of the aging population. The old age people require better housing and medical facility. However, the old age people do not contribute in economy of the country. Developed countries are facing the problem of old age people what is called as aging, but developing countries would face this problem in near future. The difference approach also deals with the problem of aging.

### **1.4.3 INSTITUTIONAL APPROACH**

The current 'inequality question' can also be called as institutional since it is the product of the decision making procedures and policies of institutions. In previous discussion, it has been discussed that there exists a vicious relationship between market forces and political forces since both of them shape each other (Stiglitz 2012). The institutional theorists argue that the rising of economic inequality should be studied by analysing the functioning of institutions (Pogge 2007). Pogge strongly advocates for adopting the institutional approach for analysing the rising of economic inequality but his focus is on international institutions namely World Bank, International Monetary Fund, and World Trade Organization. The reason behind this is that since the post second world war, the role of economic institutions has become very crucial in transforming structure of world economy; hence, the rising of economic inequality cannot be understood by without knowing the process of working of these institutions. Pogge adds that rules and designs of the international economic institutions on the pretext of promoting openness in economy have been pushing countries on the road of liberalization. And the process of liberalization has led to the withdrawal of the welfare state as a result of which economic inequality has been increasing.

In the globalized world, the interests of economic elites get prime concern, but such elites of the underdeveloped countries have very little influence over the design, rules, regulations and laws of the international institutions that facilitate trade. The Trade Related Intellectual Property Rights Agreement is one such example of those laws that is intrinsically biased in favour of economic elites of developed countries. The economic and public policies of these economic institutions are unjust in nature; therefore, they are creating inequality in the society. In order to eliminate economic inequality, there is need of proper understanding of the functioning of these economic institutions.

The institutional approach deals with the functioning of market. The market whether international or domestic, does not function on its own rule. It functions on the rules which

are designed by the policy makers. This understanding is departure from the classical liberal thought that market has inbuilt natural law and with the help of that natural law, it would efficiently manage the economy. This assumption demanded limited/minimum intervention of state in the domain of market. The globalisation disproved this classical liberal understanding of market and lead to the emergence of global economy. The global economy is working on the neo-liberal understanding of market, according to which market can perfectly function under the aegis of artificial laws designed by human beings. On the basis of these assumptions, specific institutions like Security and Exchange Board of India (SEBI) have come up for maintaining competition in domestic market. These specialized regulators have been empowered to take corrective measures from time to time for managing the economy. The logical conclusion of this discussion is that if economic inequality increases, it would be due to the policies of these institutions. Therefore, the route for solving the problem of inequality goes through the democratization of these institutions and introducing fairness in the decision making structures and procedures (Pogge 2006).

The institutional approach also focuses on the design of the democracy which has been adopted. In the design of democracy electoral rule is very much important. The democracies across the world have either opted for the FPTP electoral system or the PR electoral system. According to Duverger's Law<sup>7</sup>, the former produces bi- party system whereas the latter produces the multi-party system. It is worth mentioning here that the bi-party system leads to formation of stable whereas the multi-party system produces unstable government. The research of Torben Iversen and David Soskice (2006) proves that the countries having the proportionate electorate system have more possibilities of getting left-central coalition governments which are redistribution friendly, whereas the countries having the FPTP electoral has more possibility of forming right-central coalition governments which are redistribution unfriendly. With the help of electoral rule, Iversen and Soskice (2006) try to answer the question, why some democracy redistributes more? But their works shows that how institutions of democracy lead to the rising of economic inequality.

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<sup>7</sup> India has been exception of Duverger's Law where multi-party system has emerged despite the implementation Duverger's Law. This exception has attracted a great deal of scholarship on party system in India across the world. While the consequences of this law, Yogendra Yadav finds that this law si applicable at the state level with some exception. In a recent study, Pradeep Chibber have found that this law is applicable at the constituency level.



#### 1.4.4 JURISPRUDENCE APPROACH

There are many dilemmas in economy; equity-efficiency dilemma is one such. There exists a wide spread belief that there exists a trade-off between equity and efficiency. The increasing of efficiency produces more inequality, and vice versa. For the proper functioning of economy, there is need of establishing equilibrium for equity-efficiency dilemma. The democracy provides mechanisms for establishing equilibrium in such dilemmas. But if those mechanisms start favouring anyone, the equilibrium gets disturbed. Those mechanisms are nothing but formal rules and procedures. The jurisprudence approach, which is the most new approach in the study of inequality, goes beyond the assumption that just by changing the law or decision making structure of the institution would result into the rising of economic inequality.

This approach assumes that the public institutions especially judiciary is intrinsically biased, either in favour of capital or labour, as a result of which judicial pronouncements makes very important contribution in the rising of economic inequality. The genesis of public institutions from across the world lies in the different jurisprudence, and those institutions function on the basis of the jurisprudence in which they have evolved. The jurisprudences which are popular across the world can be categorized into four traditions namely common law, civil law, statutory law, and religious law traditions. The countries across the world have adopted either tradition of the jurisprudence or mixture of two or more jurisprudence.

The common law and civil law traditions are the most widespread jurisprudence across the world. And there is no country in the world which exclusively functions on the basis of statutory law and religious law. The jurisprudence approach tries to establish the relation of the common law tradition with labour as well as capital and the civil law tradition with the labour and capital. The jurisprudence approach assumes that the labour or the capital friendliness of the jurisprudence of the country decides the status of the inequality in that country.

It is argued that in the common law tradition, the source of law is the decisions of judges. This kind of tradition has separate legislature system to pass new laws and statutes. The common law system is more sympathetic towards private property, but judiciary is more independent from executive and hence, the law is more adaptable. The common law is common law because it is widely accepted by the large number of people across the world.

The common law is widespread across the world because its genesis lies in the Britain, which spread it in its former colonies. The civil law tradition has its genesis in France. This system is widespread in terms of territory, so it is also called as Continental European. The codification in the Constitution and statute book is the prime source of the law in this system. The civil law system promotes stricter labour contracts and also gives weaker protection to investors. The economists of legal origin divide the civil law system into four sub-categories- Chinese Civil Law French Civil Law, German Civil Law, and Scandinavian Civil Law.

The jurisprudence approach of analysing inequality assumes that policies and rules framed by institutions are leading to the rising of economic inequality. These institutions are not only historically evolved but also historically embedded in these two legal systems. Therefore, policies promoted by these institutions could have relation with the rising of economic inequality. The common law tradition which protects private property is assumed to be promoting efficiency whereas the civil law tradition which is supposed to be more protecting labour contract is assumed to be promoting more equality. On the basis of this logic, it is assumed that there is more likely to be relationship between the rising of economic inequality and jurisprudence of the country.

#### **1.4.5 COLLECTIVE ACTION APPROACH**

The collective action approach broadly claims to discuss the response of the people who are sufferer of the rising of economic inequality. When we say that economic inequality is increasing globally where ownership of the top 1percent on the world resources is increasing rapidly, and this phenomenon is resulting into making the life of the rest 99 percent worst off. This observation raises pertinent question if the rising of economic inequality affects the life of such a large number of people, then what is the response of that large number of the people, that is 99 percent population. Or putting it differently, this observation raises question how people have been responding to the phenomenon of the rising of economic inequality?

With the example of the Occupy Wall Street Movement of Wall Street, the economist Stiglitz (2012) assumes that the collective action of the people would lead to the decline of inequality. The advocacy for the collective action approach further raises contingent question why there is no strong movement within 99 percent/ The answer of this question lies in the response of Sudhir Anand and Paul Segal (2016) who argue that the 99 percent is united only in terms of income, elsewhere it is deeply fragmented; therefore, it would not be good to call

it as a class, whereas the top 1percent have characteristics of common world view, joint business, speak common language etc. as result of which it is a class.

The 99 percent is deeply fragmented; therefore, no collective action is possible against the problem of the rising of economic inequality. Now, this raises question, what are the mechanisms to unite the 99 percent people? The answer is trade unions and political parties. The collective action approach tries to use the relationship between density of trade unions and the status of inequality in the particular country. Sarosh Kuruvilla, Subesh Das, Hyunji Kwon and Soonwon Kwon have established the relationship between the density of trade union and status of inequality in Asia. It is argued that the strong trade union increases the bargaining power of workers which reduces inequality, whereas the less density of trade unions reduces the bargaining capacity of trade unions which increases economic inequality.

The study of the nature and the character of political parties are also considered as an important tool of collective action approach in analysing the rising of economic inequality. The idea behind this is that the political parties act as a nodal point, where common masses express their opinion. The political parties are supposed to act as mediator between the people and the government, so that the opinion of the people can be incorporated in the policy making. In addition to this, there is strong relation between ideology of political party and inequality. But the rise of inequality has led to the emergence of cartel democracy where 'winner takes all'. In such democracy, the smaller political parties have very limited scope to influence policies and decisions of the government, yet searching solution of the problem of inequality through political party is very significant for the students of democracy.

There is a 'paradigm shift' in the study of the rising of economic inequality in the post recession period. This shift is because of the subject matter of the 'inequality question'. Erstwhile, the 'inequality question' was assumed to be economic as well as technical question as a result of which the measurement has been central concern of the inequality discourse. But the post-recession scholarship has revealed that the current avatar of the 'inequality question' is a political question because it has been shaped by the political forces especially decisions of the public institutions. The political forces might be internal as well as external. The internal forces deals with the electoral system, jurisprudence, form of government etc whereas the external forces include globalization and implementation of the decisions of the international economic institutions. These forces commutatively make the story of the rising of economic inequality very complex.

The study of the complexity of this story requires new approaches. The new approaches are multidisciplinary in nature and the focuses on the nuanced structural problems which might be causing the rising of economic inequality. While focusing on the nuanced structural problems, the new approaches choose the fundamental variables of political economy such as labour, capital, population and technology for analysing the rising of economic inequality. The new approaches of the studying inequality are not only deployed for making analysis of the causes of the rising of economic inequality but also they indicate towards the solutions of this problem. The new approaches of the studying inequality excessively focus on the structural problem; however, in this due course of exercise, in addition to the jurisprudence approach, the other approach should also have considered the role of agency in solving the problem of inequality.

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## CHAPTER TWO

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### THE DEMOCRACY AMID RISING INEQUALITIES

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The post great recession analysis of the ‘inequality question’ is much concerned with the task of explaining the causes behind the rising of economic inequality. This analysis is in conformity with the nature of the ‘inequality question’, which has been discussed up to a great length in the previous chapter. The research work of a number of scholars has demonstrated that in the both developed as well as developing part of the world has been witnessing the phenomenon of the rising of economic inequality since 1970s. For developed and developing parts of the world, Thomas Piketty (2014) has produced U-shaped graphs which show that a downward trend in the economic inequality was recoding in the mid-twentieth century, but since 1970s, there is upturn in the rising of economic inequality. According to Piketty, the economic inequality started declining from the early decades of the twentieth century, and it continued till 1970, but since then, it has once again increasing, and in the year 2010, it has reached at the similar level as it was in 1910. This trend has been observed in the high income Anglo-Saxon countries such as the USA, the UK, Australia, and Canada as well as the middle income emerging countries such as India, China, Argentina, Columbia, South Africa, and Indonesia (Piketty 2014). As it has been mentioned in the previous chapter, the decline in the economic inequality in the mid twentieth century was first documented by Simone Kuznets in 1954, who then postulated that this trend would continue with the onward march of capitalism, and there would be just distribution at the advance stage of capitalism. But the research work of Piketty and others, document the sudden change in the inequality trends since 1970s which is opposite to hypothesis of Kuznets. This sudden change in the inequality trends raises a very pertinent question, that is, what caused the sudden change in the inequality trends? Or putting it differently, what led to the rising of economic inequality since 1970s.

There are numerous theories which explain the sudden change in the inequality trends. One objective of this study is to critically examine merits and demerits of the applicability of those theories in explaining the sudden change in the inequality trends that began in the 1970, and provide a more robust explanation for the mentioned phenomenon. Piketty (2014) explains the reduction in the economic inequality in the mid twentieth century as an anomaly

that was caused by the world wars and the great depression. While borrowing Marx's law of capitalism (infinite power of accumulating surplus value), Piketty further argues that the rising of economic inequality is normal functioning of capitalism because 'the rate of return on capital remains greater than the rate of growth'<sup>1</sup>. The low growth results into the rising of economic inequality globally. The meaning of growth differs for Piketty (2014) from country to country. According to Piketty, in developed countries, low growth in the population is the principal reason behind the rising of economic inequality because the low population growth is preventing division into the wealth and property; therefore, people having property in the cities such London, Paris, New York etc. are receiving heavy rent on their property. Those people are also in better position to access technical education which is accentuating inequalities in the developed countries. However, in the developing countries, low productivity of population is the main reason behind the rising of economic inequality because state is unable to train huge population with market oriented modern technological education. But this does not mean that the role of inherited wealth in creation of economic inequality in the developing countries can be ruled out; the role of inherited wealth has become invisible in creation of economic inequality in the developing countries.

The world wars and the great depression contributing in the declining of economic inequality during the mid-twentieth century have two explanations. First, the world wars caused heavy destruction to the physical property which led to the decline in the rate of return on capital. It was the decline in the rate of return on the capital that led to the declining of economic inequality. And second, the world wars and the great depression had increased volatility in the world economy. From overcoming out of volatility and bringing stability in the economy, state stepped in, and introduced many welfare measures by increasing of taxation and redistribution. In addition to this, during the world war, the governments were able to smoothly increase taxation on the rich on the pretext fighting war since the rich could not participate in the war. Therefore, they paid high taxation as a trade-off for not participation in the world war, state utilised that taxed money for introducing welfare schemes in the post-war period which led to the declining of economic inequality (Scheve and Stasavage 2016: as cited in Freeman 2017). The increasing of taxation during the world war augmented the financial health of state which enabled the post-war state to introduce welfare schemes especially in the field of education, employment and housing on pretext of assisting soldiers;

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<sup>1</sup> In his seminal book, *The Capital in the Twenty-first century (2014)*, Piketty sums up this idea with an equation  $r > g$ .

the common masses also got benefited of these welfare schemes which resulted into the declining of economic inequality during that period. The approach which Thomas Piketty advocates for studying the phenomenon of the rising of economic inequality assumes that it is very normal phenomenon. What needs to be explained is the period when inequality got declined? The post-1970 period which has been witnessing the rising of economic inequality is the normal business of capitalism.

Though the decline of the economic inequality in the mid twentieth century is explained with the help of world wars and great depression, the upturn in the inequality trends since 1970s is explained with the theories of technological and economic transformation. The protagonists of this theory would argue that the first half of the twentieth century saw the major discoveries in the field of basic science<sup>2</sup> which led to the technological revolution in the second half of the twentieth century. The technological revolution has transformed the capitalist economy, from the Fordism to the knowledge economy. The knowledge economy is intrinsically biased in favour of skilled workers, as a result of which, there is increase in the wages of skilled workers and decreased in the wages of unskilled workers. This structural transformation in the labour market, which is a result of skill biased technological change, such as computerisation, has been leading to the increasing of income inequality (Brune & Garrett 2005: as cited in the Freeman 2017). In the explanation of the changing inequality trends, the prime emphasis is on the sky rocketing increase in the salaries of CEOs and senior management of MNCs, who constitute the upper layer of the world's top 1 percent wealthiest people of the world. The period of the rising of economic inequality coincides with the onward march of the financial globalization that began in decades of 1970s; therefore, the financial globalization and its various features such as foreign direct investment, trade liberalisation, special economic zones etc. have acquired a great deal of attention in the analysis of the rising of economic inequality, particularly in developing countries (Topalova 2004, Basu and Guariglia 2007: as cited in Freeman 2017).

Although there is much truth in the above theoretical explanations about the changing trends of economic inequality, but these theoretical explanations do not provide complete picture of the 'inequality question'. The reason behind this is the missing of democracy as a conceptual category in the analysis of 'the inequality question'. The democracy provides space for

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<sup>2</sup> The early decades of the twentieth century saw the emergence of three basic theories in the science i.e. theory of relativity, theory of uncertainty and theory of quantum mechanics. For detailed discussion see, Scott Gordon's *History and Philosophy and Social Sciences (1991)*.

contestation of different worldviews about the inequality; every person has his/her own worldview on the existence of inequality, and which world view would prevail over others, as a result of which, how much inequality would be tolerated, it is politics which decides this. In addition to this, the inequality question is also a political question because it is shaped by the political forces not the economic and natural factors.

The current inequality trends which Piketty's U-shaped curves present, contradict with the optimism which Simone Kuznets's curve has shown during the decades of 1950s. Kuznets observed decline of inequality during that period, on the basis of which he has given hypothesis that the advancement of capitalism would result into declining of overall inequality, but the post 1970 period falsifies Kuznets's hypothesis. When Kuznets observed the decline of inequality, that period coincided with the march of 'second wave of democratization'; therefore, it has been argued that the democratization led to the decline of inequality. But the post 1970 period of the rising of economic inequality coincides with the 'third wave of democratization'. The changing of inequality trends in the twentieth century broadly, both increasing as well decreasing of economic inequality coincides with the march of democracy; therefore, it creates a paradox about democracy. The decline of the economic inequality in the post-war period coincided with the emergence of 'second wave of democracy'; therefore, voluminous literature was produced to prove that the decline of inequality was due to the onward march of the democracy since democracy promises bringing equality in the society. It has been argued that the democracy would reduce inequality because it has inbuilt mechanisms for doing this task. But the post-1970s era is witnessing a rapid increase in the economic inequality in both, advanced democracies as well as new democracies. The new democracies are the product of 'third wave democratisation' that happened in Latin America, Eastern Europe and elsewhere. This wondering situation demands an analytical examination, and this research tries to do this by bringing a wide range of scholarship from a number of disciplines which critically examines the changes in political representation, policy making and the functioning of democracy in the post-1970s period. By doing this, our attempt is to explore the possibilities of locating the causes of the contemporary inequality in the changing structure of democracy.

The whole discussion on the democracy amid escalation of inequality is directed towards predicting the future of democracy in the twenty-first century. This task of prediction would be achieved through exploring the political causes that might be held responsible for rising of economic inequality. The prediction is framed around a question and that is, what would be



the relation between democracy and inequality in the twenty-first century? One might contest with the logic of asking hypothetical question, but we argue that asking this kind of question at this juncture is very much logical due to two reasons. First, the contemporary scholars of inequality (Stiglitz 2012, Piketty 2014, Atkinson 2015) have already predicted that the contemporary inequality trends would continue in long run which means the rising of economic inequality would continue in the twenty-first century if no radical measures were taken. And second, the examining the relation between inequality and democracy is a ‘perennial question’ as a result of which the question regarding relation democracy between the inequality and democracy in the twenty-first century is not only extrapolation but also reproduction of the ‘perennial question’ in changing socio-political contexts. The embeddedness of this question in socio-political contexts makes this question significant as well as interesting, since asking such question is the cardinal virtue of research. This is the reason why sometime research questions are reframed according to the socio-economic contexts. The early decade scholarships of the twenty-first century already have a hypothesis that the increasing economic inequality is more likely to continue in the long run.

The evidences of the rising of economic inequality in the early decades of the twenty-first century pose question mark on the success stories of democracy. When we are talking about democracy, we do not mean ancient democracy, but what we mean, is the modern democracy that has strong roots in the French Revolution, American Revolution and Bloodless Revolution. The French Revolution promised rebuilding of the society on the noble principles- *equality, liberty and fraternity*. These principles were supposed to be derived from the law of nature. The intrinsic value of the laws of nature is to be beyond time and space which makes them universally applicable. The modern democracy which evolved aftermath of those revolutions incorporated the noble principles of *equality, liberty and fraternity*, as its objectives. While incorporating these principles, the modern democracy is supposed to have developed certain mechanisms, the materialization of those mechanisms results into the gradual realisation of the noble principles, and equality is the most important among those principles.

This research has self-imposed limitation of analysing the rising of economic inequality in context of democratization; therefore, detailed discussion on liberty and fraternity is avoided. This does not mean that liberty and fraternity are less worthy conceptual categories for the discussion on inequality but they are interrelated. There would be occasional reference of these concepts but that would be need based.

The task of analysing the underlying causes of the rising of economic inequality amid the democratization is structured around following sections. The theoretical considerations about the relation between inequality and democracy are covered under the first section. The proceeding discussion in this section unfolds the relationship between inequality and democracy, where the democracy has been perceived to reduce inequality. The next section moves into discussing the empirical evidences regarding verifying the relationship between inequality and democracy which theoretical considerations have envisaged. The empirical analysis gives the inconclusive result regarding the relationship between inequality and democracy. This raises pertinent question why the empirical analysis regarding the relationship between inequality and democracy in the post 1970s period gives inconclusive result? The answer of this question is briefly searched in the phenomenon of the globalization and neo-liberalization which has been taking place since 1970s. The fundamental focus of this discussion would be exploring a number of ways through which the democracy has got transformed in the period. The most significant among those ways is the ‘de-democratisation of economic policy making’. The last part of the discussion focuses on the analysing implications of the rising of economic inequality on the democracy.

## **2.1 INEQUALITY AND DEMOCRACY: THEORETICAL CONSIDERATIONS**

There is a very long history of the idea that the spreading of democracy would result into reducing economic inequality. This idea sees democracy as an instrument of reducing inequality and subsequently promoting equality in society. This instrumental idea about democracy is derived from the premise that the modern democracy has inbuilt mechanisms; the implementation of those mechanisms would ultimately result into the decreasing of economic inequality. Nowadays, some of those mechanisms are used for not only demonstrating the rising of economic inequality but also for providing justification why economic inequality is increasing globally. The proceeding discussion on the inbuilt mechanisms of modern democracy would demonstrate how those mechanisms have been supposed to perform the task of bringing equality in society, and what has been happening with those mechanisms in the decades of the rising of economic inequality? Up to some extent, this discussion also analyses the capability of the inbuilt mechanisms of democracy in the era of rising of economic inequality. While doing this, our discussion in this chapter also tries to underline the fact that there is inevitable structural compulsion in the modern democracy which prevents democracy from eliminating inequality. The current status of the

rising of economic inequality has been re-strengthening those structural compulsions. Without eliminating those structural compulsions; the modern democracy would be unable to solve the problem of inequality. But prior to moving on revealing the structural compulsions, let us explore the inbuilt mechanisms through which democracy is envisaged to reduce inequality in society.

### 2.1.1 UNIVERSAL ADULT SUFFRAGE

The universal suffrage is the most important mechanisms through which democracy envisages bringing of equality in the society. The implementation of universal suffrage is considered as a stepping stone in the struggle for equality. The universal suffrage guarantees equality in the domain of moral; therefore, the universal suffrage is also referred as a mechanism for guaranteeing moral equality. The underlying foundational principles behind the moral equality and the ways through which modern democracy materialises the moral equality in our day to day life, is the central concerns of the proceeding discussion. In addition to this, how does the universal suffrage has been thought to be reducing economic inequality is also discussed to a great extent.

The idea of moral equality is derived, primarily from the writings of German Philosopher Immanuel Kant. In his seminal manuscript *The Groundwork of Metaphysics of Moral*, Kant argues that every human being is born with unique intrinsic value. The intrinsic value of every human being is distinct; therefore, the life of every human being has worth. The worth of human being is referred as dignity that needs to be protected under all circumstances (Kant 2006). Kant proposes that the dignity of human beings can be protected only by treating human beings end in them which also means that not treating human being instrumentally. Furthermore, for the protection of the dignity of human beings, autonomy in decision making needs to be provided to human beings.

The intrinsic value of every human being is distinct, as a result of which, the intrinsic value of every human being is incomparable. The instrumental treatment of human beings is nothing but arranging intrinsic value hierarchically. The replacing of one individual with another is treating people instrumentally which would be the violation of the Kantian principle. The incomparability of distinct intrinsic values of human beings raises practical difficulty of applying this principle in our day to day life elsewhere this principle would not serve any purpose. The human beings have been given autonomy, so that they could take decision regarding protecting their dignity. This is one way how human beings have been

given equal worth for practical purposes. This idea has further led to the coming out of the conception that human beings have equal moral worth.

The idea of every human being having equal moral value has been incorporated in the modern democracy in the principle of universal suffrage. The idea of suffrage which was initially qualified with property and educational qualification got gradually expanded, with the struggle. In the twentieth century, the criterion of property and educational qualification was removed from the idea of franchise, and a uniform criterion of age, got adopted for giving voting right. The evolution of the Universal Adult Suffrage with uniform criterion of age was supported on the premise that the reason develops in human being from verbal, non-verbal, cognitive, non-cognitive and linguistic sources; therefore, imposing criterion of literacy and property on suffrage is fallacious. The universal adult franchise stands on the principle of *one person-one vote-one value* has not only become the most important instrument of democracy to affirm faith in moral equality but also to establish equality in other domains of life also.

The universal adult suffrage, in addition to affirming moral equality has also seen as bringing equality in the domain of economy since it is thought to have redistributive potential. This is the reason why elites of the nineteenth century vehemently resisted the move of implementing the universal adult suffrage; they feared that the impoverished majority might vote for appropriating the wealth of elites and for pushing to redistribute the wealth more equally (Boix 2003, Dunn 2005: cited in Freeman 2017). The private property was considered as one of the natural rights, but the implementation of democracy was supposed to redistribute the private property; therefore, democracy was also seen as incompatible to the natural rights especially private property. The invention of private property was seen as the genesis of the modern civilization (Rousseau); therefore, the redistribution of which, with the universal suffrage was further projected as leading to the end of civilization (Macaulay 1842: cited in Freeman 2017).

The universal adult suffrage has been supposed to reduce economic inequality with two basic mechanisms and those mechanisms are explained in terms of their theoretical development. First, the social conflict theory has given birth to a model of the median voter theorem. This theorem suggests that the democracy would produce a middle class in addition to elite and impoverished. This middle class would align both, the elite class as well as the impoverished class in election after election. In order to attract the middle class, which is represented with

median, the political parties, leftist or rightist would soften their stand, and would move for attracting the median voter. In this scenario, both classes, elite as well as impoverished have equal chance to capture political power provided whosoever succeeds in securing support of middle class. The possible alliance of the marginalised voters with the middle class voters would form a redistribution friendly government which would reproduce while increasing tax and transfers (Meltzer and Richard 1981, Acemoglu and Robinson 2000: cited in Freeman 2017). The median voter theorem suggests that both classes, elite as well as impoverished have equal chance of capturing political power, therefore, they avoid going in conflict which further result to social peace and progress. Second, the democracy is supposed to be a game for power capturing, and for doing that, the politicians are expected to compete for getting votes, and for securing the vote and support, they are expected to promise for providing more and better public services. The provision of public services is supposed to disproportionately benefit the poor by empowering them to compete in the market. This whole process results into the reduction of economic inequality (Saint-Paul and Verdier 1993, Morgan and Kelly 2013: cited in Freeman 2017).

Unlike nineteenth century, the twentieth century has seen three ‘waves of democratization’<sup>3</sup>. These waves of democratization have led to the march of moral equality with the implementation of the universal adult franchise. The country after country has started implementing the idea of universal adult franchise in which voting rights were guaranteed to both, men and women. The voting right has been also extended to the aboriginal communities and minorities. In India, the marginalised sections of society- women, ex-untouchables, indigenous people, differently-abled people, minorities etc. got the voting rights with the commencement of the Constitution of India on January 26, 1950. But this does not mean that India implemented the universal adult franchise without demand from these social groups. The Indian national movement has long struggled for the implementation of the universal adult franchise. There was frequent appeal from nationalist elites for the ‘waging relentless war for implementation of the adult franchise in India’<sup>4</sup>.

When the post-world war period witnessed the decline of economic inequality, and probably first ever in the history; the political scientists were prompt enough to attribute this good

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<sup>3</sup> For more analysis on the waves of democratization, see Samuel P. Huntington’s *The Third Wave: The Democratization in the Late Twentieth Century* (1991).

<sup>4</sup> Ambedkar ubiquitously advocated for the implementation of universal adult suffrage. He called for ‘waging relentless war for implementing universal adult franchise in India’. See *the Writings and Speeches of Dr. Ambedkar Volume-17(2)*, (2014).

news to the democracy. Then, it was argued that the mechanisms of democracy especially universal adult suffrage had brought the good news about the declining of economic inequality. The structural-functionalist school while using the modernization theory elaborated the phenomenon of the decline of the economic inequality in the era of welfare state. But the post 1970 has been showing reverse trend, and this is the rising of economic inequality despite democratization. The preliminary explanation of this reverse trend indicates that the universal adult suffrage has either very limited redistributive potential or it has lost its redistributive potential under the influence of certain internal or external circumstances.

### **2.1.2 FREEDOM OF SPEECH, EXPRESSION AND ASSOCIATION**

The modern democracy promises liberty of thought, expression and belief to its citizens. This cardinal virtue of democracy is also popularly referred as the freedom of speech and expression. The modern democracy envisages the redesigning of society that would recognise the importance of freedom of speech and expression. The freedom of speech and expression creates political awareness among the masses in general and workers in particular which results into formation of association. The freedom of association is complementary to the freedom of speech and expression. The democracies across the world guarantee its citizens to the freedom of speech and expression as fundamental rights. This feature of the modern democracy has empowered workers by their politicisation which culminates into their involvement in the political process. The feature of democracies- allowing the freedom of association has led to the formation of trade unions. The formation of trade unions leads to the increasing of the collective bargaining of the workers that lead to the increasing in workers' wages, and finally causing to the declining in the economic inequality (Rodrik 1998: cited in Freeman 2017). In this way, the democratization which happened due to the decolonization has also been seen as a cause for the declining of economic inequality in the post-war period.

### **2.1.3 EQUAL PAY FOR EQUAL WORK**

The principle of equal pay for equal work, for both, men and women is another cardinal principle for bringing equality in society. This principle is enshrined in the *International Covenant on Economic, Social and Cultural Rights* as a result of which, democracies across the world which are signatory on this covenant has to incorporate this principle in the law of land. In India, this principle has already been enshrined in the article-39 (d) of the

Constitution of India, under the section of the Directive Principle of States Policies. Though this provision was originally meant only as guiding principle for policy making of state institutions but several rulings of the Supreme Court, after India became signatory of the *International Covenant on Economic, Social and Cultural Rights*, has brought this article in the section of the Fundamental Rights.

The principle of *Equal Pay for Equal Work* though originally meant for providing equal pay to both, men and women who work on the same rank, the acceptability of this principle has further encouraged the other oppressed social groups to ask for the payment on the basis of rank. The demand for the implementation of the principle of equal pay for equal work was first raised in the late nineteenth century but it got intensified after the First World War when the war caused the decline in the male population, leading to the feminization of the industrial work. The increasing of women participation in the industrial work force later resulted into demanding equal pay for equal work, which was nothing but the demand for the same payment which male counterpart at the same rank gets.

The demand for the *equal pay for equal work* was similar to the doctrine of F.W. Taylor who gave the doctrine of the ‘*payment to position, not to the person*’ for solving the problem of discrimination in wage distribution<sup>5</sup>. Taylor, the founder of the scientific management school, argued for the payment to the position, not to the person, so that work culture could be changed. He recommended for sabotaging the privileges of the managers and the workers which arose due to their primordial identities. Next to Taylor, Max Weber in his theory on the bureaucracy incorporated the doctrine of the payment to position, not to the person, for paying bureaucrats. This doctrine, in which principle of the equal pay for equal work is implicit, is still applicable while deciding payment of to the bureaucracy. This principle has been seen as an important tool for recognition of equality in society irrespective of caste, class, race, religion, gender, and ethnicity while paying for the labour.

## 2.2 THE DEMOCRACY AND INEQUALITY: EMPIRICAL PERSPECTIVE

Theoretically speaking, the objective of democracy is to bring equality in society and for achieving its objectives, the democracy has inbuilt mechanisms which reduces inequality.

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<sup>5</sup> Taylor’s support to the principle of equal pay for equal work should not be extrapolated as his sympathy for the cause of women and commitment for equality but the primary concern of Taylor was arresting the threat of trade unionism which had reduced the production in last decades of nineteenth century. Taylor was trying hard to eliminate that threat.

The logical conclusion of the objective of democracy is that the expansion of democracy what is called as democratization is bound to reduce inequality. But nowadays, the economic inequality has been increasing globally despite the fact that world has also been witnessing the ‘third wave of democratization’. The result of the ‘third wave of democratization’ is that the democracy is smoothly making inroads into country after country. This conclusion creates a paradox, and that can be understood in a question form that ‘why inequality has been increasing’ despite democratization? The most probable answer of this question would be that the mechanisms (inbuilt in the democracy) which have been deployed for reducing inequality might not be working properly. But the improper functioning of the inbuilt mechanisms of democracy for bringing equality might be due to some disabling constraints. The proceeding discussion would also try to explore those disabling constraints that might be held responsible for the improper functioning of mechanisms of equality. But the identification of those enabling and disabling constraints in the inbuilt mechanism of democracy need to be searched beyond theory, and which is nothing but analysing the relationship between inequality and democracy empirically.

With the advancement of quantitative data analysis in the political science, there have been attempt to check theoretical pronouncement with the data analysis. And in case of the relationship between democracy and inequality, there are some attempts to verify the theoretical pronouncements regarding the relationship. But surprisingly the findings of such studies about the empirical connection between democracy and inequality have been inconclusive. The reasons for this is that the scholars of different methodological churches while using different data sets are unable to reach at a common ground about the general connection between inequality and democracy. One the one hand, the scholars such as Chong (2001), Reuveny and Li (2003) seem to have found a correlation, whereas on the other hand, the scholars such as Ross (2006), Sirowy and Inkeles (1990), and Timmons (2010) got failed in finding out any correlation (Freeman 2017). The inconclusiveness in the results of the quantitative data based studies has pushed some scholars for moving towards adopting a historical and qualitative approach. In this kind of investigation, a particular historical episode is analysed and the on the basis of that analysis, the political and economic dynamics of any phenomenon is explained (Capoccia and Ziblath 2010, Gradstein and Milanovic 2004: cited in Freeman 2017). The qualitative data analysis tries to capture the nuances of the processes leading to the occurrence of any particular phenomenon like the rising of economic inequality.



These studies indicate a general pattern, and that is, the first and the second waves of democratization which happened in Europe in the nineteenth century and early twentieth century led to the reduction in the economic inequality up to some extent (Gradstein and Milanovic 2004), but the third wave of democratization which happened between 1980s and 1990s, due to the disintegration of former Soviet Union and the collapse of communist blocks, could not reduce economic inequality (Freeman 2017), instead of this, in many cases, it led to an increase of economic inequality. In the ‘third wave of democratization’, the East European and Latin American countries adopted the path of democracy. The social and historical contexts of the waves of democratization has been different, therefore, it is argued that this difference of social and historical contexts would have led to the producing of inconclusive results in case of correlation and regression analyse of relation between democracy and inequality.

It should be worth mentioning here that there is no uniformity in the existence of inequality across the world. The existence of inequality differs in terms of degree from country to country. While some democracies have welfare state with more redistribute approach, as a result of which there is lesser degree of inequality, whereas some democracies redistribute less and hence, they have higher degree of inequality. There is difference in the American democracies and the European democracies, and this difference is in terms of the degree of inequality. The continental European and Scandinavia countries have welfare state with redistributive approach as a result of which there is comparatively less inequality whereas countries such as US and UK have smaller welfare states with low redistributive approach; therefore, there is high degree of inequality. The inconclusiveness regarding relationship between democracy and inequality though indicates that no direct relation, but difference in the degree of inequality across countries opens vistas for looking into the causes of the same. This task invites for careful examination of the political processes by which democratic politics shapes distribution and redistribution. The scholarship from this prospective reveals that the party political ideology, institutional features and electoral systems significantly shapes the degree of economic inequality in any country (Iversen and Soskice 2006, 2009). One undercurrent theme in these literatures reveal that the redistributive differences in democracies across the countries are due to the relative strengths of labour and capital since they are shaped in the political process. The electoral rule of the countries also shapes the redistributive capacity of state; the continental European and Scandinavia countries have proportionate electorate system; therefore, they form left-centred government which are more

redistributive in nature, whereas the countries with First Past the Post system government produces right-centred majoritarian government which less redistribution friendly (Iversen and Soskice 2006, 2009).

Though these approaches despite their differences make worth regarding analysis about the relation between democracy and inequality but all these approaches share a common theoretical framework while assuming a closed economy (Freeman 2017), the fact of the matter is that the world economy has become open since 1970s, the year which is marked the rising of economic inequality. The assuming economy as closed economy while making analysis about the relationship between democracy and inequality overburdens the analysis with domestic actors and process which finally results into the ‘domestication of inequality’. There are causes which are outside the preview of state and democracy, and those causes might be held responsible for the rising of economic inequality. The emergence of global capital and transnational actors is among the prime causes which need to be discussed properly. It needs to be noted that prior to 1970s, neither the global capital nor the transnational actors were such strong that they could force state to adopt capital friendly economic and public policies. The financial globalization has made the global capital so strong and the state so weaker that it has become need of hour to develop a broader approach for analysing the interests and strategies of the transnational actors. The global one percent is one such actor. Putting it differently, placing the debates about inequality and democracy in the context of globalisation is the most appropriate approach to study the rising of economic inequality in the era democratization.

### **2.3 THE GLOBALISATION AND INEQUALITY**

The decade of 1960s saw slowdown in economic growth, high inflation and associated crisis of accumulation. In repose to these cumulative crises, the financial globalization began in 1970s. The financial globalization led to the evolution of a global market, and for managing the global market, the idea of global governance came into existence. The concept of the global governance has subordinated the domestic government. In addition to this, the global market has also led to the evolution of global capital which has further subordinated labour. The subordination of the ‘domestic’ and ‘labour’ has combatively led to the rising of economic inequality in the era of financial globalization. How the idea of global market, global governance and global capital has been evolved which is supposed to be leading to the

rising of economic inequality? The process which has led to the subordinating the ‘domestic’ and the ‘labour’, the following discussion will unfold this.

The financial crisis of late 1960s was believed to be due the political pressure of social groups on the state and the state institutions which had task of managing economy. That pressure was supposed to lead the slowdown in the economy, and resulting into the creation of financial crisis. India at that time, managed that crisis by the policy of import substitution. Meanwhile, for solving financial crisis, it was thought that the ‘economic’ should be removed from the ‘political’ and ‘social’. The reason behind this assertion was the belief that the domain of ‘economy’ is neutral from political and social; therefore, it needs to be managed scientifically; the scientific management means managing by technocrats. The removing of ‘political’ and ‘social’ from ‘economy’, made ‘economy’ universal what is called as global economy because this act freed economy from territorial boundaries. The idea of global economy led the beginning of the financial globalization in 1970. The financial globalization further created a global market since it has been long held belief that the market is the best mechanism to manage economy provided state should not intervene in its functioning. The clubbing of global economy with the market without state intervention, led to the genesis of global market. The genesis of the global market led to the evolution of the idea of global governance which means nothing but legislating rules and regulations for functioning of global market. The global market led to the creation of the global capital which is nowadays predominately dominating the labour. The global capital moves frequently around the whole world. The freedom of the capital across the world has led to the emergence of Transnational Corporations. The demand for managing the global market has brought the idea of global financial institutions. And for administering these financial institutions, financial elites have been coming from across the world. Nowadays, these financial elites along with CEOs of the Transnational Corporation constitute the upper most section in the world’s top once percent income group. The issue of governing global market has also resulted into the creation of transnational economic policy networks which include organizations such as IMF, World Bank, and informal networks such as G7 finance ministers, and private transnational policy networks such as World Economic Forum. It is the network of these institutions which frames policy for managing the global economy, and on the pretext of the global governance, the democracies across the world are getting forced to adopt those policies. The implementation of these polices is nothing but superimposition of the interest of dominant elites on the whole society. In addition to this, the concept of global governance has also

taken out certain issues from the preview of state, as a result of which state with all its democratic mechanisms are gradually becoming powerless. The economy is the most important issue which has gone outside of the preview of state. Nowadays, there is also an attempt to take away education and health- two other most important tools of achieving equality, from the preview of state and state institutions. In this way, globalization is actually pushing towards 'de-democratization'.

In addition to 'de-democratization' on the pretext of global governance, the globalization has also been weakening the redistributive capacity of state by providing free movement to the capital and capital holders. The free movement enables the rich to escape the countries for paying tax, the result of this is the policy makers are unable redistribute the income from the rich to the poor (Freeman 2017). The inability of state to redistribute the income is resulting into the rising of economic inequality. There cannot be any doubt about the truth value of this observation, but this explanation cannot be considered as sufficient cause of the rising of economic inequality. To explain the phenomenon of the rising of economic inequality, there is a need explore more causes form the structure of democracy since it has gone through changes in the era of globalization. I have already discussed the reasons behind the separation of 'economic' from 'political'. Under this scheme, the economic institutions have been gradually removed from the oversight of political leadership. The most famous example of this is the more separation of the central banks form political oversight. Though the seeds of the separation of central bank from political oversight lies in the Keynesian economics, but in the era of globalization the central banks have got autonomy to decide even policy goals, which was earlier decided by the political leadership. The central bank was supposed to achieve those goals by adopting policy tools of its preference. But the removal of the central banks from democratic control in the era of globalization, instead of making them independent, has made them prone towards financial market. Nowadays, the policy of central banks responds the demands of the financial market, as a result of which, the central banks are adopting anti- redistributive policies. The targeting inflation has become central goal of the central banks but inflation has redistributive potential (Piketty 2014), which means while targeting inflation, actually central banks are curbing redistribution. This is the way how economic inequality has been increasing in the twenty-first century.

## 2.4 IMPLICATIONS OF INEQUALITY ON DEMOCRACY

The rising of economic inequality has multiple implications. The ‘high inequality is associated with the deteriorating health outcomes, reduced social mobility and lack of democratic participation’ (Jensen and Kersbergen 2017). In highly unequal society the poor have to work hard, deteriorating their health condition, and finally causing shorter life. The life expectancy is also associated with the happiness; the highly unequal society causes frequent social conflicts which create social tension. The social tension erodes happiness of the society. In highly unequal society, the children are not awarded in life according to their won talent but according to the status of their parent. This schema promotes non-meritocracy in the economy which ultimately results into the declining of overall productivity.

The economic inequality in political sphere is creating political inequality. The idea of political inequality is yet to properly evolve but the research of Joshua Kjerulf Dubrow (2015) while citing Robert Dahl shows that the political inequality means the inequality of power since the core concern of the political science is power. The other dimension of political inequality is unequal voices of the people. The rise of political inequality shows that the democracy is deviating from its fundamental premise. The political equality is fundamental premise of democracy which makes democracy, among all available mechanisms- the best mechanisms for decision making. The proceeding discussion would briefly discuss how the rising of economic inequality is impacting democracy and creating political inequality-

### 2.4.1 THE MYTH OF EQUALITY OF OPPORTUNITY

The equality of opportunity is one of the cardinal principles of modern democracy. The objective of this principle is to reward meritorious person and punish non-meritorious person. It is long held belief that the society which provides equality of opportunity to all sections of society progresses rapidly since it rewards the meritorious persons. The equality of opportunity is provided by opening up of job opportunities for each member of every section of society. The open competition with common test is the most commonly accepted mechanisms for providing equality of opportunity.

The American society has proud to provide equality of opportunity. But Joseph Stiglitz (2012) argues that the claim of the American society providing equality of opportunity has been becoming a myth in the era of increasing economic inequality since the American

economy has been gradually getting turned into the ‘rent seeking economy’ where one is rewarded with high income because of ‘brute luck’ of birth in a wealthy family. Thomas Piketty has also demonstrated this fact that the equality of opportunity is not universally applicable since it fails to solve the problem of inherited wealth. The present saga of inequality is due to return on the wealth, which is nothing but awarding somebody having ‘brute luck’ of birth; therefore, the equality of opportunity has become a myth.

#### **2.4.2 THE MIRAGE OF EQUAL TREATMENT**

The equal treatment is another most important promise of the modern democracy. The democracy promises treating people equally irrespective of caste, class, race, religion, gender, ethnicity and nationalities. This principle is followed while providing job opportunities but with certain exception. The idea of equal treatment is applicable in reward as well as punishment. The principle of equal treatment has been made applicable by establishing the rein of the rule of law instead of the rein of person.

For establishing the rule of law, the modern democracy has incorporated the doctrines of separation of power and division of power. The strict applicability of these two doctrines has led to the making of judiciary free from executive and legislative. The free judiciary is prerequisite condition for the establishing the rule of law and treating people equally. But the rising of economic inequality has been making these great doctrines of democracy ineffective. The super-rich people have been gradually getting greater accessibility of judiciary in addition to the government institutions. Their ability to access highly paid lawyers empowers the super-rich not only in getting judgements to quickly delivered but also often be delivered in their favour. In addition to this, the financial globalisation has tightened the hands of governments as well as judiciary. The courts are gradually becoming capital friendly as a result of which the interests of labourers are getting subordinated. The emergence of the global capital has weakened the applicability of laws since the owner of the financial capital such as share, bonds, debentures etc. cannot be held accountable very easily. However, the owners of the physical capital such as assets, land, real estate, housing etc. can be held accountable to the rule of law since they hold immovable property. The courts are able to punish the defaulters only when they are holding physical assets since they cannot easily run away with their physical property whereas in case of the financial capital, the situation is completely reversed. In such cases, courts are facing tough time in punishing the violators of the law.

The governments are signing treaties related to the trade and business. Those treaties are shaped by the global economic financial institutions. The governments are rushing to become signatory on those agreements. Once agreement is signed, the courts get bound to friendly interpretation of the domestic laws if international law exists. In this way, not only legislative and executive branch of government but also the judiciary is getting devoid of its power. The inability of courts shows how the principle of equal treatment has been becoming an illusion.

### 2.4.3 GERRYMANDERING

The universal adult suffrage is the most important mechanism of democracy which promises establishing equality in the domain of morality. In addition to bringing moral equality, this principle has also been supposed to promote redistribution, and hence, leading to elimination of economic inequality. There are numerous incidences indicating that the rising of economic inequality is leading to the reproduction of inequality in moral domain. This is happening through the re-arrival of gerrymandering.

The rising of economic inequality has accelerated regional disparity, as a result of which certain parts of the world especially urban areas are witnessing huge emigration. Though, there are multiple problems associated with emigration; the franchise is the most important. There is widespread belief that the emigrants are acquiring voting rights at new places, as a result of which the composition of constituencies are frequently getting changed. The changing of the composition of constituencies readjusts the value of vote per person. How does regional disparity create population imbalance which is further affecting the design of the constituencies can be best understood with the example of the recent designing of the constituencies in India? The last Delimitation Commission which was supposed to redesign constituencies was opposed by the south Indian states, as a result of which, the commission has to go for partial delimitation of the constituencies. The formation of the Delimitation Commission was opposed by south Indian states due to fear that the delimitation would penalise them by reducing their seats in parliament because their population has declined in comparison to north Indian states. The bone of contention of the south Indian states was that they have honestly complied with the sterilization policies of the Government of India whereas the north Indian state did not do so. The result of which is decline in the population of south Indian states but spike in the population of the north Indian state. The Government of India accepted this logic of south Indian states and subsequently the parliament limited the power of the Delimitation Commission. Now, the commission was entrusted with the task of

delimiting the boundaries of the constituencies without changing the actual number of seats allotted to each state in the parliament. This act of the delimitation commission has actually created disparity in the value of votes of north and south Indian states. This disparity in the value of votes is nothing but outcome of regional disparity that has been aroused due to the increasing economic inequality. The changing of the value of vote is nothing but reproduction of inequality in the domain of morality.

#### **2.4.4 DISENFRANCHISEMENT**

The rising of economic inequality has another concern and that concern is disenfranchisement. The idea of disenfranchisement is coming from the advanced democracies, and that is in terms of the declining of voting turn out (Stiglitz 2012). It is argued that the voters in the developed countries are continuously getting disillusioned with the democracy because the decision making institutions of democracy are not reflecting the opinions of the people. When the opinions of the people are not getting included in the policy formation, the people are getting disillusioned as a result of which there is heavy decline in voting turn out. This new explanation for low voting turn out in the developed countries is worth recognising since it refutes earlier formulations about the low voting turnout in developed countries. The erstwhile explanation for the low voting turn out in the advanced democracies was the level of equality. It was argued that the advanced democracy has high level of equality; as a result of which people do not bother about the changing of government. The changing of government has least possibilities of changing the social and economic status the rich voters in the developed societies; therefore, the voters in the advanced democracies show very little interest in voting. But the explanation of Stiglitz is contrarian to this, and that is, the rising of economic inequality is the principle reason behind the declining voting turn out in advanced democracies.

The democratic institutions are not reflecting the opinion of the people in the era of increasing inequality. In addition to Stiglitz, there are a number of scholars who have argued about this fact. The scholars have tried to map the opinion of the voters through the Median Voter Theorem, according to which decisions of democratic institutions would reflect the choices of the median voter. The median voter theorem assumes existence of a large middle class, and that middle class forms alliance with left as well as centre, according to its convenience. Both parties leftist as well as rightist leaves their extreme position and adopts moderate position, for attracting middle class voters. In order to maintain the stability, the



governments maintain translating the choices of middle class into framing of public policy. The middle class voters are statistically measured with median; therefore, they are popularly referred as median voter. And the theorem which measures this is the median voter theorem. Nowadays, it has been found that the decisions of democratic institutions are not reflecting the choices of median voter. On contrary to this, the decisions of the democratic institutions are reflecting the choices of the voters which are located above the median voter. This strange phenomenon has instigated scholars to call that the median *per se* is getting shifted in the upward direction. The government institutions, not reflecting the choices of median voter, are a sign of disenfranchisement, since this phenomenon is translating into creating of a disillusion among voters regarding the capability of democracy to include their choices in decision making. This disillusionment of voters towards democracy is further getting translated into creating distrust among the people about the capabilities of democracy.

#### 2.4.5 WINNER TAKES ALL

There has been failure of the median voter theorem in explaining the policy choices of the public institutions. This failure pushes us to ask further question about the method of analysing the decisions of democratic institutions in the era of increasing economic inequality. The recent scholarship suggests that a model called the Winner Takes All is very much helpful in explaining the decision making process of the democratic institutions. This model also provides evidence about the impact of the rising of economic inequality on decision making process of the democratic institutions.

The Winner Takes All model suggests that the winners of the one sphere, primarily the economic have started dominating in all other spheres namely society and polity. This can be best understood in terms of analysing choices of the super-rich of any country. The choices of those rich who share maximum amount of the Gross Domestic Product (GDP) of a country dominate in all three spheres namely polity, society and economy. The super-rich class is winner in the economic sphere of the respective country. This is the way how economy dominates in the polity and society. The victory in the economic field translates into other two fields; therefore, on the basis of this victory is referred as the Winner Takes All.

The work of Jacob Hacker and Paul Pierson on the impact of inequality on American politics demonstrate this fact that the top one percent of the American society, so far as income share in GDP is concerned, dominates in polity and society as well, what he calls organised combat. The organized combat leads to the policy drift and the elite remains out of the public

gauge. The political scientist Jonathan Hopkin and Kate Alexgender Shaw (2015) has applied the method of Jacob Hacker and Paul Pierson in the case of United Kingdom and they have found that in case of the UK, it works differently.

The meaning of the super elites dominating political sphere does not essentially mean their physical presence but the more nuanced meaning of this is that the decisions of the political institutions reflecting the opinion of economic elites and their ability to drift the policies in their favour. The domination of the world's top once percent in society would also mean that the rest of 99 percent would at least try to imitate the food habits, dressing sense, music, norms, values, and cultures propagated and promoted by the 'top once percent'.

The idea of winner takes all is antithetical to the communitarian theory of justice as putted by Michel Walzar in his seminal manuscript, *The Spheres of Justice* (1983). Walzar argues that the parameter for measuring inequality in one sphere does not apply in another sphere. From the communitarian perspective, it is very difficult to argue that the person victim of the inequality in the economic sphere would also be the victim in the social and the political spheres. On the basis of the separation of spheres, Walzar suggests that a winner of the one sphere should not be treated as winner in another sphere, doing such, would be promotion of injustice. The winner takes all hypothesis proves that increasing economic inequality is perpetuating injustice, against which Walzar's theory of justice stands for.

#### **2.4.6 PAYMENT TO THE PERSON, NOT TO THE POSITION**

The rising of economic inequality has shaken the very foundational principles of democracy. And that is the reverse arrival of the payment to the person, not to the position. The increasing of economic inequalities has been leading to the expansion of informal sector in economy. The expansion of informal sector is further promoting contractual jobs where there is no fixed salary. In contractual jobs, the salary of workers depends on the wishes of manager and owner; therefore, the salary of workers varies from person to person through all of them work on same rank. The expansion of informal sector has been destroying the very promise of equality through principles like equal pay for equal work.

On contrary to the informal sector, where workers are given low wages, on the pretext of efficiency and productivity, there is another phenomenon which has been observed since the Great Recession-2008, and that is the sky rocketing increase in the salaries of CEOs and chiefs of the financial institutions. The leadership of companies on the name of loss due to

recession fired their employees but the same board members increased their salaries in the same board meetings. Such incidents have resulted into the spectacular rise in the salaries of CEOs of the Multinational Corporations, as a result of which a top salaried class has emerged globally. It seems that the salaries of these top executives have been gradually delinked from their performance. They enjoy sky rocketing payment not for their position and performance but for their persona. This new class is acquires upper strata of the World's Top once percent income groups. The payment scheme of this managerial class reflects how decision making structure has been captured by the super-rich of the society.

#### **2.4.7 EVISARATION OF FREEDOM OF SPEECH AND ASSOCIATION**

The freedom of speech, expression and association enshrined in the democracy led to the formation of trade unions. The trade unions increase the collective bargaining of the labourers. The increasing of the collective bargaining further resulted into the decline of the economic inequality. The transformation of the economic structure with the technological advancement led to the shifting of the economy from the Fordism to the knowledge economy. The knowledge economy is technological driven; hence, assigns higher payment to the skilled workers and low payment to the unskilled workers. This difference in the payment leads to creation of inequality in the period of post 1970s. In addition to this, the knowledge economy outsources labour as a result of which there is a decline in the trade unions that further resulted into the decline of the collective bargaining power of labourer. This phenomenon has further contributed in the rising of economic inequality.

The freedom of speech and expression cannot be guaranteed without having public press and public broadcasting; but the neoliberal policies of states have been leading to the privatization of public broadcasting. In the era of the rising of economic inequality, the very idea of public broadcasting is under server threat. The research in media and inequality shows that media plays very important role in the 'agenda setting'; therefore, the world's top once percent, always tries to capture the ownership of media. It is important to see that the privatization has although increased the number of news channels; but the owner of the news channels is limited in the hand of very less number of people. In reality, the freedom of speech and expression requires medium of expression but the medium of expression is being getting captured by the world's top once percent, and by using which, this class is setting its agenda in economy, polity and society. This is the way how in the era of the rising of economic inequality, freedom of speech and expression is gradually coming under severe threat.

The freedom of association also cannot be imagined without the conception of freedom speech and association. The freedom of speech and expression is inalienable to the freedom of association. The exercise of freedom of association results into collective action. It is the collective action which has greater capabilities to address the problem of inequality (Hopkin 2015). Since the rising of economic inequality is the outcome of political decisions; therefore, its solutions also lies in the political action. The political action can be taken only when public demand would arise. The public demand arises with the institutionalised mechanisms of collective action. Trade union, political parties and social movements are three such institutionalised mechanisms of collective action.

The research of Sarosh Kuruvilla, Subesh Das, Hyunji Kwon and Soonwon Kwon (2002) about the *Trade Union Growth and Decline in Asia* shows that the rising of economic inequality has strong relation with the de-unionization. The countries with higher de-unionization, has been witnessing the greater inequality. *The World Work Report-2008*, published by the International Institute of Labour Studies of the International Organization also demonstrates that there is strong relationship between density of union and increasing economic inequality. The countries having lower union density are witnessing increasing economic inequality whereas the countries having higher union density are registering lower economic inequality. There are also some countries which have high union density but have also been witnessing the higher economic inequality. The reason for this is ethnicisation of trade unions. It is argued that the ethnicisation of trade unions reduces the bargaining capacity of trade unions, as a result of which the trade unions are unable to push their demand for higher income share for labourer in the profit. In addition to the ethincization of trade unions, strong affiliation of trade unions with the parent political parties also sometimes acts against the objective of the trade unions.

In recent times, on the pretext of labour reforms and maintaining law and order, several punitive laws have been inserted in the statue books. The implementation of these punitive measures has been discouraging the participation of workers in the activities of trade unions. The declining participation of workers in the activities of trade unions has been resulting into the declining share of workers in profit of the companies. In addition to this, the coming of capital friendly, the Special Export Processing Zones, and the Special Economic Zones have also acted against the interest of workers since the workers of these zones does not have right to form association. The capital friendly zones are created only with the minimal presence of trade unions. Therefore, these zones are contributing in the increasing economic inequality.

Within the framework of the freedom of association, the political parties are another most important variable. The political parties get formed only to full the demands of social groups. In another words, the political parties comes into existence for materialising the collective demands of any social group at a particular point of time. But the over reliability of political parties on the business men in assisting them financially has reduced the autonomy of the political parties in terms of decision making. The financial assistance of business groups reduces the capability of the political parties to translate the collective action into reality and reducing the inequality. Though there has been voluminous research work on the political parties but from the perspective of political parties as an instrument of collective action to reduce inequality has yet to be explored properly.

The technological advancement has been the principle cause of the rising of economic inequality. It has brought the economy from the era of Fordism to the knowledge economy. The knowledge economy is biased in favour of technology as a result of which, it is favouring skill workers. The unskilled workers either get very low paid job or pushed into the informal sector where wages are very menial. The outcome of this process is the increasing of income inequality in terms of wage. The inequality which is present in the developing countries is because of the technological revolution where inability of the developing countries to impart the technical skill to huge work force has produced inequality. In developed countries, the technological revolution has acted in very different ways. It has reduced the growth of population, the result of which is the concentration of wealth in the hand of few. There is huge return on the wealth and property, as a result of which, there is emergence of a class which is surviving on the return on the wealth and property. This process has been making the economy of developed countries into 'rent seeking' economy.

The transformation of the world economy in the second half of the twentieth century due to the technological advancement has resulted into the beginning of globalization and neo-liberalization. The globalization has been further transforming the world economy but this transformation is because of the evolution of the global market. The global market which is dominated by the global capital has been taking away the subject matters of economy from the preview of state. The economy has gone under the more or less complete supervision of global market whereas health and education are also gradually following the path of economy. In this process, the democracy is getting restructured as a result of which, economic inequality has been increasing.

The structural change in the democracy can be seen while analysing the status of those inbuilt mechanisms of democracy which has been supposed to reduce economic inequality. But those mechanisms have got adversely affected due to the rising of economic inequality. This process shows that the globalization has weakened the capability of democracy in solving the problem of rising of economic inequality. The economic inequality has been resulting into entering in the political sphere as a result of which, there is an emergence of the idea of political inequality. The political inequality is defined in terms of power sharing and people's view on the public policies. The participation is the power sharing mechanism but the rising of economic inequality heavily affects as a result of which, economic elites are dominating political and social spheres.

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## CHAPTER THREE

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### SEARCHING EQUITY IN THE TWENTY-FIRST CENTURY

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In the previous chapter, we have discussed about the causes of the rising of economic inequality across the world since 1970s. The rising of economic inequality and its potential to get escalated in the other spheres of human life makes it, one of the greatest possible dangers of the twenty-first century. The underline causes of the rising of economic inequality- technological revolution and globalization which has been analysed in the last chapter adds more worrisome picture since both are irreversible. These concerns about the rising of economic inequality raises very serious question whether it can be reduced? And if yes, then what are the ways through which the rising of economic inequality can be arrested?

The post-great recession scholarships, in addition to analysing the causes and features of the rising of economic inequality have also paid considerable amount of attention on the looking for the solution of the ‘inequality question’. There is consensus across the boat that the decreasing of economic inequality would not mean looking for perfect economic inequality. The perfect economic equality is undesirable since it destroys incentive for work which is essential for growth. What is desirable is the reduction of economic inequality at the working level? Such exercise would leave moderate inequality to prevail in the society. This is the reason why the focus of the solution of ‘inequality question’ in the twenty-first century is to bringing back equity instead of equality. On contrary to equality, equity is qualitative in nature and refers to the qualities of justness, fairness, impartiality and even handedness.

The solution of the ‘inequality question’ lies in the bringing back the question of equity. Now question arises, how to bring the question of equity back in the twenty first century? Or putting it differently, ‘what is to be done (Atkinson 2015)’ for reducing the rising of economic inequality and arresting its danger to get escalated in other spheres. Though the straight forward answer of the ‘inequality questions’ is the bringing back the equity, the methods for doing this is deeply contested. This contestation is due to the diversity of opinion about the proposed solutions of the ‘inequality question’ which scholars from different disciplinary background bring. But those solutions become more significant if they find appeal cutting across the disciplinary boundaries of social sciences. The primary objective of

this chapter is to critically examine those solutions which have appeal, cutting across the disciplinary boundaries of social sciences. While doing this exercise, this study also makes an attempt to provide suggestion for strengthening the already discovered solutions.

The solution of the rising of economic inequality lies in the bringing back the question of equity at the central stage of the public debate and the policy making in the twenty-first century. But the problem is identifying those mechanisms through which the question of equity can be brought back? The brief overview of literature on the ‘inequality question’ reveals that the economists have paid much more attention, in comparison to the political scientists in searching the measures for reducing economic inequality. The political scientists first lagged behind the economists in studying the causes and the consequences of the rising of economic inequality, and now they are further lagging behind in searching the solution of the problem of inequality. This discussion about the solution of the ‘inequality question’ is an attempt to bring the mechanisms of political science at the forefront of the public debate which might be said as solutions of the problem of inequality.

The ongoing debate on the ‘inequality question’ categorically clear that the rising of economic inequality is not an outcome of any natural phenomenon. It is an outcome of artificial phenomenon. The artificial phenomenon of the rising of economic inequality is a cumulative outcome of social, economic, and political forces. The economic forces constitute the rule of market which is framed by the governments; the political forces constitute government policies which are up to a great extent framed by the market forces; likewise the social forces which constitute the discrimination and exclusion. In the era of neo-liberalism, the market forces are intervening in the political processes for bending the rule of game in their favour. In this way, there is an emergence of illegitimate relationship between economic forces and political actors which is resulting into the rising of economic inequality (Stiglitz 2012). Erstwhile, it was believed that the market has ‘natural laws<sup>1</sup>’ through which, it would distribute the goods in the most efficient way. In this schema, all discrepancies related to the distribution were attributed to the market and the law of nature, including inequality. But the advent of neo-liberalism has disproved this assumption that the market inherently has natural law. The neo-liberal logic says that the market run on the basis of scientifically designed rules which are artificially framed by technocrats.

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<sup>1</sup> Adam Smith refers natural law of market as ‘invisible hand’ of market in his book *Wealth of Nations* (1776).



With the globalization and liberalization, the domestic economy is getting surrendered to the global market. In this way, the rising of economic inequality is the product of the market forces i.e. global market which is framed by the political actors or the financial elites. When the rising of economic inequality is an artificial phenomenon, the logical conclusion follows from this premise that it should be reduced with the artificial means. Piketty (2014) in his analysis of the trends and patterns of the economic inequality demonstrate that the inequality declined during the mid-twentieth century was due to the efforts of state. But unlike Kuznets, Piketty (2014) explains that the decline in the inequality during the mid-twentieth century was due to the welfare policies of the state, which came in response to the external shocks of the world wars and the great depression. However, Simone Kuznets has also noticed the decline of economic inequality in the post-world war period but he attributed that phenomenon to the inherent nature of capitalism. On the basis of historicizing the causes of the declining of economic inequality, Piketty asserts that the political measures need to be taken for solving the problem of inequality in the twenty-first century since political force has shaped it. And those political measures should be redistribution centred. The question of inequality cannot be addressed without having the issue of redistribution on your back seat; though the classical political economist might be wrong in terms of using right methodology for making analysis of inequality but they were right in terms of asking question, and the question is about redistribution (Piketty 2014). In opposition to Piketty's appeal for bringing redistribution question in the analysis of the 'inequality question', Joseph Stiglitz (2012) argues that the inequality can be discussed without having the question of redistribution. He proposes using the fairness principle for addressing the problem of the rising of economic inequality. This disagreement between two scholars represents the 'religious divide' which exists in the academia for studying the 'inequality question'. In the due course of finding the solution of 'inequality question', this chapter first examines the claims these two rivalry schools critically; and then moves on discussing the mechanisms which are beyond the preview of redistribution and fairness.

### **3.1 REDISTRIBUTION**

The redistribution has been seen as the most effective mechanism of addressing the problem of inequality since very long. The decline of the inequality in the mid-twentieth century is attributed to the welfare policies of the state which were redistributive in nature, and came in response to the external shocks caused by the great depression and the world wars. The state

during world war increased the progressive taxation, and the business class gently agreed to pay the increased tax since they were unable to directly participate in the war. The non-participation of the business class in the war created a moral obligation of paying more tax, which was a kind of trade off. But this trade off increased the resources of state, and the state was supposed to utilize those resources for the welfare of the war affected soldiers. On pretext of welfare of soldiers, the post-war state formulated such policies and facilities were made accessible for the general public also. The use of welfare policies of state resulted into the decline of inequality. In addition to this, there is another explanation how world war led to the decline of economic inequality. And that explanation says that the world war led to the heavy damage to the physical property as a result of which, the return on the capital got declined, and which finally led to the declining of economic inequality. Since world war did not cause equal damage to the physical property across the states, therefore, the explanation is not sound enough to explain the decline of inequality in the mid-twentieth century. But the former explanation is based on the sound reasoning. Therefore, while taking clues from the first explanation, I would argue that the bringing of the question of redistribution needs moral and ethical justification, and finding out the moral and ethical reasoning is prerequisite for the bringing back issue of equity in the twenty-first century.

The universal adult franchise is another mechanism which results into redistribution. It is argued that the leaders make promise to the voters for getting votes. And when leaders start fulfilling their promises after victory, it leads to the redistribution. Another way through which the universal adult franchise is related to reduce inequality is the formation of left-centred government. The electoral rule is implicit in the franchise, and democracies having the PR electoral system leads to emergence of multi-party system which results into the formation of redistribution friendly left-centred governments whereas the democracies having the FTTP electoral system results into emergence of bi-party system which are prone to form right-centred majoritarian government which is anti-redistribution (Iverson and Soskice 2006). This analysis suggests that for bringing the question of redistribution, the electoral designs of the democracies also needs to be amended, and the demand of the time is to switch for the proportionate representation which has capacity to incorporate more voice in the decision making in opposition to the majoritarian system.

The democracy provides rights to freedom of speech and association to the people in general and workers in particular. These rights politicise the workers, resulting into formation of

trade unions. The collective action of trade unions increases the bargaining power of labourers which is supposed to be redistribution oriented. However, the technological advancement has been transforming the capitalist economy from Fordism to the knowledge economy; in the Fordism, there has been strong interaction among workers, so there has been larger possibility of forming trade unions, and greater scope for the collective action, which culminates into redistribution. But the knowledge economy is skill oriented where skilled workers are getting outsourced from outside factory and country. Due to outsourcing, there is more or less no physical interaction among workers which is leaving very limited scope for trade unionism. This transformation has been leading to the decline of trade unions as a result of which collective bargaining power of workers have been getting declined. This transformation of the economy from the Fordism to the knowledge economy is leaving limited scope for the formation of trade unions- a medium of collective action prerequisite for redistribution, and finally resulting into pushing out the question of redistribution. Therefore, depending on the redistribution for arresting the problem of the rising of economic inequality in the era of knowledge economy has very limited scope to become successful.

### 3.2 FAIRNESS AND THE EQUALITY OF OPPORTUNITY

The 'inequality question' cannot be addresses merely by taking the issues of redistribution, as our previous discussion proves. Now this discussion moves on the examining capability another conception which claims to address the 'inequality question' without taking redistribution on the back seat, and that conception is fairness. Joseph Stiglitz (2012) strongly supports that the principle of fairness has capacity to deal with the 'inequality question'. The proceeding discussion critically examines the capability of the fairness principle in solving the problem of inequality.

The idea of fairness has been popularised by John Rawls who terms his theory of justice as *Justice as Fairness*. In Rawlsian theory of justice as fairness, principle of equality of opportunity is at the central stage as a result of which, without taking the equality of opportunity into consideration fairness cannot be explained. Due to centrality of the equality of opportunity principle in the Rawlsin theory of justice, one can argue that the demand for fairness is nothing but the proper and effective implementation of the equality of opportunity principle. There exists a trade-off between equity and efficiency, as a result of this trade off, the persuasion of equity results into the declining of productivity whereas the persuasion of

the efficiency results into the rising of economic inequality. Whenever we talk about equality, the first principle which comes to our mind is the equality of opportunity. It is a wide spread belief that the equality of opportunity is the most important principle for bringing equality in society, as a result of which, this principle has become so common in our day to day life that we hardly envisage any other principle that would be meant for bringing equality in the society. This centrality of the equality of opportunity principle in our cognitive sense on equality, poses some pertinent questions; how the equality of opportunity should be seen in the era of increasing inequality? Is the equality of opportunity a principle for bringing equality in society? And what is the role of equality of opportunity in increasing inequalities?

In the ongoing debate on the 'inequality question', one of the negative impacts of the increasing economic inequality is that it has been making the equality of opportunity dysfunctional. Stiglitz argues that the American society which has proud of providing the equality of opportunity has been witnessing decline in the equality of opportunity in comparison to past. He says, 'equality of opportunity nowadays is a myth in the USA' (2012). The result of which is the declining productivity and efficiency of the country. Whenever we diminish equality of opportunity, we are not using one of our most valuable assets- the people- in the most productive way possible, and by not investing in public good, the country like USA has been moving towards reducing the equality of opportunity, the ultimate result of which would be the loosing of country's productivity and efficiency.

Taking clue from the above preposition of Stiglitz, where he categorically states that the declining the equality of opportunity would result into the loosing of country's productivity and efficiency. I argue that the core objective of the equality of opportunity principle is to bring efficiency in the society instead of equity. The equality of opportunity principle stands promoting efficiency. Therefore, it is fallacious to assume that the fairness in general and the equality of opportunity in particular, would solve the problem of rising of economic inequality in the twenty-first century. As previously mentioned, there is long established fact that there exists dilemma between equity and efficiency, where persuasion of one comes at the cost of other. But this dilemma need not be interpreted as the absence of efficiency in any society is bound to create equity in that society. There can be societies which might saw absence of both, equity as well as efficiency, at a same time. This dilemma should also not be understood as the destruction of efficiency of any system would automatically result into creation of equity. The mere meaning of the equity-efficiency dilemma is that there is trade

off between equity and efficiency, as a result of which, excessive focus on the equity destroys incentive to produce more, resulting into the declining of production whereas the persuasion of efficiency results into the increasing of overall size of the cake, which finally increases everybody's size of the cake.

The equality of opportunity principle is mainly associated with the idea of providing same set of initial conditions for all. And there are multiple provisions for doing that; the opening up of job opportunities for all, irrespective of class, caste, race, ethnicity, gender, and nationality; is the most important amongst those provisions. This can be substantiated by the critical examination of Rawls's theory of justice, that is, justice as fairness since Rawls has popularised the idea of fairness. Taking into account of the socio-political context in which Rawls gave his theory of justice, I would argue that Rawls's theory of justice was an invention of a better mechanism for ensuring the proper functioning of the equality of opportunity principle in American society. He arranged the various normative principles in the forms of a lexical priority order and then tried to evolve a comprehensive theory of justice. This can be seen only when we concentrate on the lexical priority order of the propositions in which Rawls has arranged them. The three propositions have been arranged in such a way that they form two principles of Justice as Fairness. The first principle which contains the first proposition advocates that 'each person has the same inalienable claim to a fully adequate scheme of equal basic liberties, which scheme is compatible with the same scheme of liberties for all' (Rawls 2003). The meaning of this proposition is that there shall be equal basic rights and liberties to all irrespective of race, religion, ethnicity, gender, and nationality<sup>2</sup>. The second principle of Rawls's Theory of Justice advocates that the 'social and economic inequalities are to satisfy two conditions- they are to be attached to offices and positions open to all under conditions of fair equality of opportunity, and they are to be to the greatest benefit of the least-advantaged members of society' (Rawls 2003). The second principle contains two propositions, the first advocates about the presence of fair equality of opportunity and the second advocates about the presence of a corrective mechanism which would be applied whenever demand would arise.

Situating the Rawls's theory of justice in its socio-political contexts, it seems that Rawls has made an attempt to provide justification for existing inequality in the American society, against which American society witnessed intensive social movement during the decades of

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<sup>2</sup> In case of India, caste would also be included in this scheme.

1960s. Rawls seems suggesting that the existence of inequality in society is justifiable provided the equality of opportunity principle works properly. And if it does not work, corrective mechanisms need to be taken. Rawls's theory of justice needs to be seen as an attempt to devise a robust mechanism to ensure proper functioning of the equality of opportunity principle. This can be best seen while analysing lexical priority order of three propositions of Justice as Fairness. It is very clear that the proposition- advocating for the equality of opportunity acquires central position and the proposition advocating for the equal basic rights and liberty is placed above that. This arrangement gives meaning that the first **preposition** is nothing but an attempt to provide equal initial condition for all. Furthermore, the last preposition which is known as the difference principle is nothing but an attempt to provide justification for the existence of inequality in society. In addition to this, another message of the third proposition of Rawls's theory of Justice is that it is a self-corrective mechanism in his theory of justice that can be implemented in case of the improper functioning of the equality of opportunity principle. The difference principle of Rawls is nothing but the opening up of vistas to correct any error if it arises in the working of the equality of opportunity principle in near future.

Since the publication of Rawls's Book *A Theory of Justice* in 1972, Rawls's Theory of Justice- *Justice as Fairness* has occupied central stage in the policy making across countries. The centrality of this theory of justice in the policy making discourse which has actually resulted into providing centrality to the efficiency in the public policy discourse. The over-reliability on the justice as fairness, for achieving egalitarianism in the society has actually made the equality of opportunity principle as the main concern of government policies, judicial pronouncements, public as well as academic debates. This centrality ultimately supports the coming back of efficiency at the central stage of policy making discourse time and again. The overemphasis on the equality of opportunity principle has created confusion that it is the only principle which stands for bringing equality in society. Such attempts have overburdened the equality of opportunity principle. However, in the actual sense, the equality of opportunity principle stands for bringing efficiency in society, and the over persuasion of the equity has resulted into leaving the equity question behind the scene.

The over burdening of the equality of opportunity principle suggests that this principle has failed to produce desired result, and has made it as a myth towards which Stiglitz (2012) points out. Similarly, Piketty (2014) reveals the limit of the universal applicability of the

equality of opportunity principle, while making comparison between the American Society and the French Society. He demonstrates that the equality of opportunity principle seems working properly in the US society whereas not working properly in the French Society. He proves this fact by taking the French Revolution and the American Revolution as base year of comparison. He argues that since the American Revolution, the population of American Society has increased 100 times, and significant portion of which is emigrant skilled workers, whereas the population of the French society has just increased twice since the revolution. When we compare the population of the American Society with the French Society, it becomes very clear that the former is yet to achieve demographic dividend whereas the latter has achieved demographic dividend. Piketty argues that the country which has not achieved its demographic dividend cannot easily see the role of inherited property and wealth in deciding individual income like the USA, whereas in the country which has achieved demographic dividend, the role of inherited wealth and property, in deciding individual income can be seen very easily, like the French. On the basis of this, Piketty (2014) seems to be suggesting that the equality of opportunity principle is not universally applicable.

This analysis of Piketty makes it very clear that the assumption of the equality of opportunity principle rewarding meritorious and punishing non meritorious is fallacious. The very genesis of the equality of opportunity principle relies on the hypothesis that merit is unevenly distributed in the society; so if all people are provided with the equality of opportunity, the meritorious people will automatically come out from the society and non-meritorious people would get eliminated. But if a society which claims to provide the equality of opportunity become unable in preventing the people having inherited wealth and social status from capturing the positions of modern institutions; it would mean that either society has not implemented the equality of opportunity principle properly or the equality of opportunity principle *per se* is incapable in preventing such people from occupying positions based on merit. Piketty's analysis indicates towards the latter part of the observation. Therefore, it would not be fallacious to argue that the fairness and the equality of opportunity principle do not stand for promoting equity; therefore, they are inadequate in solving the problem of the rising of economic inequality in the twenty-first century.

### 3.3 THE TECHNOLOGICAL DISTRIBUTION

The undercurrent explanation of the rising of economic inequality is that it is an outcome of the technological revolution. The technological advancement has been leading to the transferring of the structure of capitalist economy from the Fordism to the Knowledge Economy. The knowledge economy is driven by the technological change and the technological advancement, as a result of which, the knowledge economy favours capital over labour, skilled over unskilled. The knowledge economy is intrinsically biased in favour of skilled workers in terms of providing wage payment and other facilities. The unskilled or semi-skilled workers are either poorly paid or not able to get job in this economy. The non-availability of jobs for the unskilled worker in the knowledge economy is pushing these workers in informal sector, which are poorly paid and completely unorganized. The workers of the informal sectors are unable to avail the benefit of social security schemes of the governments.

The knowledge economy has ability to outsource skilled labour from the outside of country; by doing this, the knowledge economy has brought the existence of trade unions into severe crisis, as a result of which collective bargaining capacity of workers has been getting weakened. The weakening of the collective bargaining capacity of workers has been lead to the rising of economic inequality. This whole process is leading to the rising of economic inequality. The countries which are yet to achieve demographic dividend are facing the problem of the rising of economic inequality due to this reason, whereas the countries which have achieved demographic dividend are facing the problem of rising of economic inequality because of low/negative population growth, wealth and property is not getting divided, as a result of which, the owners of wealth and property are getting rich by receiving rent. This process is transforming economy into 'rent seeking' economy which is promoting inefficiency.

In order to solve the problem of the rising of economic inequality due to technological revolution; what we need to do is bringing these people in the knowledge economy, and that is possible by imparting them with skills and technologies. For doing this, there is a dire need to make public investment in human capital and training (Atkinson 2015). This investment needs to be made from public fund which would also go beyond the human training to the pure sciences, since the investment in the pure science has practical application in the invention of technologies.



The inequality caused by the technological change cannot be solved only through managing demand and supply of skilled labour, but this requires mechanisms beyond just balancing the demand and supply of labour. Now, it is a well-established fact the technology is not value neutral. To prove this fact, it would be worth mentioning to cite Rousseau who criticises modern art, civilization and technology for being intrinsically biased in favour of military virtue. When we see the history of marginalisation from the perspective of marginalised communities, Rousseau's observation provides surgeon's precision to see how biasness of technology has played very active role in the marginalisation of these communities. It would be worth mentioning here that there has been very late investment in the feminine virtues such as care; therefore, the occupation related to the feminine virtues has been historically very less paid. The logical conclusion of this discussion is that the direction of the technology shapes the status of inequality; therefore, while changing the direction or capturing the direction, the problem of inequality can be addressed. It is the state which has authority to capture the force of technology and the state can best do by the mechanism of democratically elected government and making public provision for making investment in science and technology as well imparting people with the technical skills.

### 3.4 THE RESTRUCTURING OF MARKET

The market is structured around labour and capital, since the interaction between these two create commodity. The capitalism has brought a fundamental change in the nature and structure of labour and capital. The capital has started dominating the labour; this has further resulted into subordination of labour. Due to the subordination, labour does not get its just share in the value of commodity. This results into the rising of economic inequality. For solving this problem, while keeping in the mind about the structural contradiction between labour and capital, the market mechanism needs to be restructured (Atkinson 2015). There are two faces of market mechanisms which need to be taken into consideration- Taxation and Income Transfer. The taxation side demands the introduction of progressive income taxation. The state should use the money, collected through the progressive income taxation for introducing welfare schemes and bringing back the welfare state<sup>3</sup>, since it has become well

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<sup>3</sup> The idea of welfare state should be recovered from the parato-optimality but from utilitarianism. This should be noted that erstwhile welfare state gradually moved towards utilitarianism.

established fact the inequality declined only during the period of welfare state (Piketty 2014; Hopkin 2015), the withdrawal of the welfare state has led to the rising of economic inequality. But the introduction of progressive taxation demands the strong moral reasoning for doing the same, just like it was done during the Second World War. The progressive taxation was increased during the Second World War on pretext of nationalism.

In addition to progressive taxation, there is emergence of consensus among the economists that the wealth taxation should be introduced. The idea of wealth taxation includes the tax on wealth transfer, since the countries which have achieved demographic dividend are witnessing the rising of economic inequality primarily because of the rental return on the wealth, which is not getting distributed because of low/negative growth in the population.

The transfer/spending side is another face of economy which needs to be changed. Keeping in the mid about current status of inequality, multiple mechanisms need to be introduced in the economy. The introduction of basic payment is the most revolutionary one, but that needs to be introduced on the basis of the participation rather than citizenship (Atkinson 2015). The idea of participation based basic income is supported on the rational that nowadays wide range of the workers travel from country to country in search of job opportunity. While working in the host country, the emigrant workers make huge contribution to the economy of that country, but when the country introduces any social policy for providing benefit to the workers, it discriminates between workers on the basis of citizenship. Such acts of the countries are morally and ethically wrong since while introducing such social policies, countries are keeping in the mind only about the people from where collection of taxes can be done, but the fact of the matter is that the excluded people do also make contribution in the growth of GDP.

The next important measure is the introduction of a basic income for child especially in developed countries. It needs to be worth mentioning that according to Piketty (2014), the return of capital in the twenty first century is due to the return of low growth. But this low growth is of population and of productivity. The growth of population has been significantly declining in the developed countries as a result of which, wealth has been getting concentrated in the hand of very few. In the advanced cities such as London, New York, Paris etc. the return on the inherited wealth in form of rent is so high that the economy has been gradually becoming the 'rent seeking' economy. The children born in the super-rich families are becoming richer without doing hard work and showing their talent. This phenomenon is

making world economy non meritorious as a result of which overall productivity is getting declined. This process is also hindering the social mobility of societies across the world, resulting in creation of intergeneration inequality (Roemer 2015). The overall impact of this is that the income from the inherited wealth is contributing in the rising of economic inequality. The reduction of the rising of economic inequality requires solving the problem of low reproduction and well as intergeneration inequality. For solving this problem, there is a dire need to introduce basic income for child care which would enable people to reproduce more children and doing such would distribute property and wealth. The introduction of basic child income would also solve the problem of intergeneration inequality by equalize opportunities (Roemer 2015), because this would solve the problem of unequal upbringing of children, which hinders social mobility.

The developing countries do not have the problem of low population growth; therefore, here the role of wealth is gradually getting diffused. But this does not mean that the income from wealth is not causing the rising of economic inequality. Instead of low population growth, the low productivity is the major reason for the rising of economic inequality. The population of the developing countries is increased up to great extent. But that increasing population needs to be converted into work force, and for doing this, the economy needs investment in human training and skill development. While imparting the technological skills to the huge working force, the developing countries envisage increasing of the income of their worker force, the ultimate result of which would be the declining of the economic inequality in the twenty-first century.

For solving the problem of inequality, the labour market also needs to be reformed. In earlier reforms, there has been emphasis on the supply side whereas the demand side of labour market has been ignored historically; therefore, demand side needs critical interrogation. The labour reform must empower the workers instead of disempowering them. It is a matter of great concern that the meaning of reform has been taken differently across the countries. In developed countries, reform in the labour market empowers both, employee and employer. The employee gets benefited in the labour market reform because of introduction of job security laws and anti-discriminatory laws. But in developing countries like India, the labour reform has been made only one sided. And that is curbing the rights of workers such as forming trade unions. The measures like ant-discriminatory and job security legislations in India are not considered even as the subject matter of labour market reform.

The reform in the labour market should also be extended to the capital market. It is a commonsensical belief that it is wealth which capital, but the capital also includes population which produces human resource provided that population is technologically empowered. Piketty's book, *The Capital in the Twenty First Century (2014)* though contains the title of capital but there is disproportionate discussion on the analysis of wealth. The different dimensions of population have not been explored properly. From the above discussion, what follows is that the capital is socially as well as politically constructed. It is the political force which contributes in the constructing of capital, and the return on the capital has been resulting into the rising of economic inequality. Therefore, for finding the solution of the rising of economic inequality, the politics of the economic inequality also needs to be taken into consideration.

### 3.5 THE POLITICS OF ECONOMIC INEQUALITY

The political actors shape the market forces which are resulting into the rising of economic inequality (Stiglitz 2012). The structure of inequality, therefore, is historically constructed. The structure of economic inequality needs to be explored. This exercise would de-naturalise the idea of economic inequality and would become helpful in solving the problem of the rising of economic inequality. This demands urgent need of a national conversation on the increasing of inequality. It seems that the developed countries have started that debate but developing countries are yet to start. This is evident in recently concluded presidential election of the USA where issue of the rising of economic inequality got debated up to a great length. Such dialogue would assist us creating awareness among the general masses about the rising of economic inequality.

The Politics of Economic Inequality suggests that the phenomenon should not be seen from one perspective. From this logic, the world's top one percent and the rest 99 percent, both should be analysed properly. There have been many attempts to provide descriptive and analytical study of the world's top one percent (Piketty 2014; Segal & Anand 2017), but enough concern has not been paid on the focusing on the rest of 99 percent. Paying attention on 99 percent is very important task. Unlike the top one percent, the rest 99 percent is deeply fragmented; culturally and linguistically divided. Therefore, these groups need to be taken into consideration while studying inequality. The quest for declining inequality needs to take into account of the feelings of women and minorities. What do the differential feelings of

these social groups demand for the declining of economic inequality? The answer of this question not only would deepen the debate on the rising of economic inequality, but also would provide solution of the problem of inequality.

### **3.5 THE DEMOCRATIZATION OF GLOBAL ECONOMY**

The contemporary scholars of economic inequality (Stiglitz 2012; Piketty 2014; Atkinson 2015) have established the fact that the economic inequality has started increasing since 1970s. This period of the rising of economic inequality is marked with two more significant events; the advent of financial globalization and the third wave of democracy. It is argued that the former lead to the rising of economic inequality, whereas the latter which was supposed to reduce the economic inequality failed to do so. This section focuses on the studying the impact of the former and the implication on the latter.

The rising of economic inequality in the post 1970s is the result of globalization. The globalization is promoting the policies of neo-liberalization. The doctrine of neo-liberalisation has not only supported the separation of economic from political, but also mooted the idea of handing over the economic to the technocrats. The separation of economy from politics has been making territorial boundaries irrelevant, as a result of which there is an emergence of a global market. The global market has further given birth to the global capital. The global market is nurturing the global capital. The global capital is important source of rising of economic inequality because the unified global market has ensured free movement of the global capital across the world, as a result of which, it has weaken the redistributive capacity of state. One solution for reducing inequality is to impose a universal tax on the global capital. But simply taxing the capitals is not enough, the capital is evolved through the process, and that process is technological and political forces. Therefore, the true solution for the problem of inequality would be changing the direction of the force which constitutes the contemporary inequality.

With the advent of globalization in 1970s, the idea that the economic is a matter of technical expertise; therefore, it needs to be managed with the technocrats. The managing of economy with the help of technocrats made economy autonomous from political pressure, and furthermore led to the emergence of a technocratic managerial class across the world. This technocratic managerial class is highly paid class, as a result of which, it constitutes the most strata of the World's Top one percent. The sky rocketing salary of this managerial class is

one of the important reasons for the rising of economic inequality. But the important part of this story is that this managerial class shared a common worldview, whereas the rest 99 percent is not even a class, as a result of which they do not have any world views to act. The world view of the managerial class pushes them to act in a certain way that is advocating the policies which are in their favour; this idea is leading to the rising of economic inequality. For solving the problem of inequality, what we require a counter action from the rest 99percent, which is possible only through collective action; social movements are the driver of collective action. The issue of social movement would be discussed later.

The other important change which globalization has brought in the field of economy is the return towards the era of strict separation between monetary policy and fiscal policy. The seeds of the strict separation lie in the Keynesian economy but it got strictly implemented with the advent of financial globalization. This return towards the monetary policy regime has further removed economy from the affair of politics. In erstwhile monetary policy regime, fixing the target of economy was the task of the government, and the central banks were given responsibility to achieve those tasks with the monetary policy tools. But with the arrival of global economy, the banks have got autonomy even for fixing policy goals. In such scenario, the banks are fixing the policy goals under the pressure of global financial institutions. In addition to this, the independent credit agencies such as Moody force the bank to move for adopting a particular policy. This changing orientation of the central banks though is the market friendly but not the people friendly. Currently, the central banks have moved for curbing inflation, but the research suggests that the inflation has redistributive potential (Piketty 2014). The redistributive potential of the inflation can be understood in terms of employment generation and return on the capital. The increasing of inflation indicates increasing the growth rate in the economy which provides more job opportunity; it also reduces the rate of return on the rental income. The increasing of food inflation benefits the farmers. These are the three ways inflation has redistributive potential, but if central banks starts designing the policy only for curbing inflation, it would result into the rising of economic inequality, and up to some extent, this has happened in the era of globalization and neo-liberal policies. For solving the problem of economic inequality, this orientation of the central banks has to be shaped (Freedman 2017). The orientation of the central banks can only be changed by bringing the economy in the oversight of the people which means under the control of elected government.

The inflation centred policies are unjust for producing class. The producing class do not get their proper share because inflation centred monetary policies discourage the buying capacity of market entities. The cumulative outcome of this is that the farmers are forced to sell their produced goods on very average cost which sometime led to making loss for farmers. The government focuses on the targeting inflation is based on the assumption of gaining support from middle class voters. The middle class voters who usually belong to the service sector frequently allies to rightward groups in the fear of redistribution which might harm their interest if the left ward political parties acquire political power. The producing class usually does not comprise middle class; therefore, the ruling class which emerges due to alliance of the middle class and elite class easily acts on cutting redistributive policies. In this coalition, there is a trade-off between the middle class and the elite class. The government cutting redistributive policies favours the interest of the elite class whereas by targeting inflation, the middle class gets appeased. The ruling alliance of the middle class and the elite class result into increasing economic inequality where elite class increases its share on the cost of harming lower class. The middle class does not get affected because they get benefit of targeting inflation. One might ask why the middle class did not align with the lower classes for capturing political power. The simple answer of this question would be fear of redistribution. The middle class might have the fear of redistribution which might be harmful for their interest; therefore, the middle class do not align with the social group. In order to solve these conundrum, the political parties which are champion of the interests of the lower classes and the middle class have to find out workable solutions so that there can be social alliance between them which would at least discourage anti redistributive measures.

The change in the monetary policy regime has not only re-structured the economy at the domestic level but also at the international level. It needs to be mentioned here that that the financial globalization has taken away some portion of the decision machining power especially in terms of monetary policy, and transferred it in the hand of the international economic institutions. The structure of international economic institutions is such that it is intrinsically biased in favour of the interests of developed countries in general and elites in particular. These institutions, before the advent of the financial globalization were heavily focused on the interests of developed countries but nowadays, they have also got shifted in favour of elites, the result of which is the income of the super elites, that is, the world's top one percent is increasing rapidly.

The role of international economic institutions such as International Monetary Fund, World Bank, World Trade Organisation etc cannot be ignored while studying the state of affair about the rising of economic inequality in the twenty-first century. The reason for this is the structural biasness of these economic institutions which is highly undemocratic. The decisions in the economic institutions are taken on the basis of weight-age voting system, as a result of which, the developed countries become successful to get those legislations passed which suit their interest. The developing and under developed countries have very little say in the decisions making of these institution, as a result of which these institutions do not adopt fair mechanism for passing decisions and even in appointing the people. Therefore, the democratization of these international economic institutions must be done where developed, developing and under developed countries needs to be given equitable share in the decision making structure of these institutions (Pogge 2006). In addition to this, while framing policies for managing the global economy; these institutions should also take into consideration about equity. Then only they would become responsible towards the people in true sense. Making these institutions responsible towards the will and wishes of the people through democratization is herculean task which would be lead to the reducing of the economic inequality in the twenty-first century.

### 3.6 DE-BUREAUCRATIZATION

The de-bureaucratization of economy was the one of the major concerns of the neo-liberalism which unfolded into the arrival of globalization, and finally leading to the rising of economic inequality. But the globalization has failed to de-bureaucratize the economy, and what is seen is the re-arrival of a bureaucracy in very different form (Patnaik 1999). This bureaucracy is global in nature, and has started acquiring prominent position in the decision making structure of economic institutions of governments across the world. This international bureaucracy is nowadays holding key position in the decision making structure of government institutions, but interestingly, the people who are nowadays holding top positions in government institutions have a prior holding positions in the international economic institutions, and even up to some extent, the people who hold the top managerial position in the transnational corporation are given berth in the decision making structure of the government institutions. Such bureaucrats are most likely to get return to their parental organization; therefore, they advise those policies which suits the interest of international



economic institutions in general and global elites in particular, contributing in the rising of economic inequality.

There is another way through which, the international bureaucracy contributes in the increasing of income inequality globally. And that is the continuous engagement of the international bureaucracy with the world's top one percent which makes this bureaucracy to share same worldview as the world's top one percent desires. These bureaucrats often hold share in some Transnational Corporations; therefore, they advocate such policies which are suitable to the interests of those companies. The advices of such people which are gradually getting incorporated in the policy framing, is resulting into rising of economic inequality. Therefore, my argument is that the attempt for reducing economic inequality has to handle the problem of re-bureaucratic of economic institutions of governments. This can be done while making proper public scrutiny of the candidates prior to making appointment at the top positions of the economic institutions. Following this logic, similar mechanisms need to be adopted, also for appointing advisors in the government institutions so that the political force can be arrested which is causing to the rising of economic inequality in the twenty-first century.

### **3.7 RE-DEMOCRATIZATION**

The rising of economic inequality with the march of the third wave of democratization has posed very serious question about the capacity of the democracy in the reducing inequality. It has been long held belief that the democratization reduces inequality, but the rising of economic inequality since 1970s despite the 'second wave of democratization' has challenged this belief. This paradoxical situation asks serious examination of the nature and the structure of democracy which three waves of democratization has introduced. The first wave of democratization began in the nineteenth century when franchise was granted at very large scale to the all white men in America. However, the inter war period saw decline of democracy. But the post Second World War period saw the emergence of the second wave of democratization since many countries got independence form colonialism, and they chose the path of democracy. In actual sense, the decolonisation resulted into the eruption of the 'second wave of democratization'. The next two decades saw the failing of democracy in many countries. But the post 1970s decades saw the emergence of the 'third wave of democratization', the disintegration of former Soviet Union and the weakening of communist

blocks accelerated this phenomenon. The countries which got independence from the Soviet Union adopted the path of democracy which once again increased the number of countries. This phenomenon is called third wave of democratization. The period of second wave democratization coincides with the declining of economic inequality. On the basis of which assertion has been made that democracy leads to decline of inequality. Furthermore, appeal was made that more democratization should be promoted.

The question about what led to rise in inequality since 1970s when the world was going through the 'third wave of democratization' has already been discussed in the previous chapter, but this chapter is solution oriented. The solution is searched while discussing the changes which have occurred in the democracy. The first change which has occurred in the democracy is return towards the specialists. It is argued that democracy promises '*government of the people, by the people, and for the people*'. But the meaning of the people in three phrases- '*of the people*', '*by the people*' and '*for the people*' has not remained same. The specialists have captured the ruling position in changing scenario. The democracy has got shifted from the generalists to the specialists that have been bringing back in the era of elite democracy. These elites share common belief about worldview, language, culture, taste, life style just like world's top 1 percent, which has created world's 'great divide'. This 'great divide' needs be solved which would result into the declining of the economic inequality in the twenty-first century. The solution of this division is possible by uniting 99 percent which is deeply fragmented and divided on line of various primordial identities.

Despite the third wave of democratization, the rising of economic inequality has brought the process of legislating under the serious scrutiny. The interrogation of the causes of which in the last chapter has revealed that the democracy *per se* has gone under serious ramification, as a result of which it has failed to reduce inequality in the era of globalization. Now in order to bring back the question of equity back in, the democracy and its mechanisms need to be redesigned.

The party system is the first mechanism which plays very significant role in the framing of policies which would result into the reducing of economic inequality, since party ideology decides the policies of the political party. The party competition or multiparty system can be a good tool for bringing equity. But the party system arises either around the social cleavage or the electoral rule. The social cleavages theory suggests the societal cleavages of the society decide the number of political parties in the country, whereas the electoral rule theory

suggests that the mechanism of election decides the number and the nature of party system. According to Duverger's law, the FPTP leads to the emergence of bi-party system whereas the PR system leads to the emergence of multiparty system. The multiparty system promotes party competition which increases redistributive process, and the proportionate representation system leads to the emergence of the multiparty system. The logical conclusion of this would be that the proportionate representation system increases possibilities of redistribution, results into welfare and reducing inequality (Iversen & Soskice 2006).

In the third wave of democracy, most countries adopted the path of the First Past the Post system; therefore, majoritarian government came into power which has been less supportive of redistributive measures. This has been resulting into the rising of economic inequality despite the third wave of democratization in the post 1980s. There is strong belief that for bringing equity at the helm of affair we have to bring back redistribution and the welfare state at the central stage. The PR system is one of the ways of bringing redistribution and welfare state back in. And for bringing the issue of redistribution through the electoral law, we have to change the very design of the electoral rule, and we have to move towards the proportionate electorate instead of the first past the post system.

Within the changes in electoral design of the democracy, political parties are the most important arena which needs to be properly taken into consideration since they play very crucial role in formulating public policies of any country. The changing nature of political parties has larger say in the rising of economic inequality. There are growing incidents of political parties getting captured by the super elites, because the structure of political parties is undemocratic. The structure of political parties is such that the political parties are gradually becoming less democratic. This issue is also related with the rising of economic inequality, the reason behind this is the decision making procedure of the political party. If political party is more democratic, it would result into the increasing of accommodation of views and concerns of various social groups including trade unions, student unions, women and minority groups. This would result into enactment of more democratic policies. In other words, the democratic set up of the political parties encourages the social and political groups to raise their concerns and push for the accommodation of their concerns. On the contrary to this, the less democratic countries push these social groups away by not incorporating their voices and they try to silent these voices with violent means. This process ultimately leads to the increasing of inequalities.

There are some territories in the structure of democracy which needs to be further explored in the context of the rising of economic inequality. The relation between presidential government form of government as well as the parliamentary form government with the rising of economic inequality is one such important territory. As per the understanding of the present study, the parliamentary government needs to be more redistributive in comparison to presidential government, because the bargaining power of legislators who represents different social classes of the society gets more strength in the parliamentary system, and also there is larger possibility of pro-labour parties sharing power. In the parliamentary system, there is continuous struggle for policy framing where various social groups form independent political parties for incorporating their views is to be heard in the legislation making process. The emergence of numerous parties increases party competition with the state. Once the number of political parties gets increased it increases competition between voters to bargain. In this bargaining, the extreme rights parties have to soften their stand of contentious issues such as redistribution. Similarly, extreme leftist parties also have to soften their stand of redistribution and move towards each other for capturing voters which are middle, means very less polarised in either left side or right side. This movement of political parties to capture the neutral voters is best explained the theory of the Median Voter Theorem<sup>4</sup>. But this possibility seems to be very less present in the presidential form of government, which is more stable. There is less possibility of marginal voices getting proper audience in the presidential government, so it seems to be less redistribution friendly. In the twenty-first century, the 'inequality question' needs to be explored from this perspective also.

It is commonly held belief that the parliament frames legislations and those legislations might support or oppose the redistributive polices and other policies which are related to the bringing equity in the society. But the question of equity also needs to be examined from the structural prospective of parliament, since the structure of the parliament have also gone for revamping in the era of globalization. The structural question of the parliament first pushes us to look into the matter of existence of two houses-lower house and upper house. The upper house which was supposed to be representative of federal governments, industrialists, businessmen, journalists and members of civil society was given very less power in the matter related to the economic affairs whereas the lower house, popularly elected has been given complete oversight on the financial matter. But, it should be noted here that in India,

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<sup>4</sup> To explain complex phenomenon of India politics, Rudolph and Rudolph introduced the idea of centrism which seems to be derived from the Median Voter Theorem.

the upper house of the parliament has no authority to make amendment in money bill, only lower house has final say in the matter related to finance. This has been practice across parliamentary democracy.

There is repeated call from the elites of Indian society for switching over to the presidential form of government. Amid such calls, in the year 1993, Indian parliament imported the provision of the Departmental Related Standing Committees from the US congress. The committee system of Indian parliaments is more or less taking away the tasks of the parliament. Earlier, every bill whether financial or normal was to be introduced in the either house of parliament according to the provisions of the constitution and bill was debated, discussed and passed from the respective house. But with the insertion of the committee system, the task of house has been referred to these committees; and these committees act as the mini house of parliament. On pretext of intense debate, discussion and feedback, these committees often comprise with the members of both house, even in the matter of related to the finance. And also, these committees on the pretext of taking advice from general public actually takes advice of the elite section of society and incorporates those advices in the policy framing.

The globalization has been compelling the democracy to become capital friendly. The democracy is compelled to ensure free movement of capital as a result of which labour is getting subordinated. The final outcome of this is the share of labour in profit is constantly getting reduced. The modern manufacturing units such as Special Economic Zone where government not only declare tax holiday but also prevents workers to form any labour union, has been resulting into empowering capital and disempowering labour since without existence of trade unions, workers cannot bargain from owners. The tax exemption with the criminalisation of trade union activities provides double advantage to the industrialists that ultimately increase their profit, and resulting into the rising of economic inequality.

The globalization at the massive level, has been leading to the emergence of free trade zones such as North Atlantic Free Trade Association (NAFTA) that disproportionately favours capital over labour. Up to a great extent, these emerging trading hubs have contributed in the increasing economic inequality because these trading hubs disproportionately favour free movement of capital. These trading hubs provide single and low taxation which favours the smooth movement of capital. The frequent movement of capital in these free trading blocs have to deal in democratic manner and the rights of workers needs to be protected. The undue

advantage to the capital has to be reduced so that the earned profit in these trading blocs could be distributed properly. In addition to these measures, there is another crucial issues which needs to be handled properly, and that issue is the erosion of the sovereignty of nation-state in the decision making structure of state apparatus, so far as economic institutions are concerned. The erosion of sovereignty of the nation-state is typically a result of the globalization and this erosion has been leading to the declining of the redistributive capacity of state.

On the pretext of the increasing efficiency and productivity which would further provide quality service, economy is not alone in moving away from the oversight of state but two other sectors have started following the trajectory of economy. And they are education and health. It should be noted down that the education has emerged as a greatest equalizer in the last two centuries. It was the education which enlightened the leaders of marginalised communities for breaking the odds of their life and struggled for equality. The education is supposed to be a common good; therefore, state is held responsible for managing education, in other words, providing education to the masses. But in the era of globalization, the state is leaving these sectors on the pretext of getting overburdened. It is argued that the education needs to be handled by experts and that is possible only when education would be handed over to the experts of market by taking away from the oversight of the state. Nowadays, there is emergence of private educational institutes for providing technical education and medical education. The fees of these institutions are so high that the poor cannot think their children studying in these institutions. Since the education was the only instrument which has promoted rapid mobility in the society but privatization of this sector is posing very serious threat to the mobility of the lower community, and accelerating the 'Great Divide'.

The coming out of technical education from the oversight of state has been gradually pushing health education from out of the supervision of state. Unlike technical education, the health education has direct connection with the people. We cannot expect a healthy society without public funded health sector. But the reduction of public fund in health education and privatization of health sector has been posing very serious concerns on the health of the poor and the marginalised sections of society. The high expenditure of these communities on the basic amenities like health is increasing economic inequality. Apart from this, the low ability or sometime non ability of the poor and marginalised communities for buying health facilities results into reproduction of inequality in different forms such as variation in the life

expectancy of these social groups. The variation in the life expectancy of these social groups of the society is the outcome of state policy, which results into creation of inequality in the citizens against which modern democracy has come into existence.

While solving the problem of increasing inequality in the twenty-first century, the democracy has to face to more challenges which are yet to be explored properly. The aging of population and ecological as well as environmental concerns are such issues. It needs to be noted that the analysis of Piketty has brought back the two important tools of the classical political economy- land and population. The Land has been discussed properly, but the population which has been seen only as work force needs to be elaborated properly. Only aspect of the population which has been discussed adequately is the training population for converting it into skilled work force. The countries having huge work force due to favourable demographic dividend would become old in near future. Then, the old population would become burden on the state and democracy because they would require health, housing and recreational facilities. There is missing discussion about the aging population. For solving the future problem of aging, the democracy needs preparation for future, and that preparation requires introduction of social insurance and pension. The solution of the aging problem indicates possibilities of getting returned towards welfare state.

The environment and ecological change is another major important concern which inequality debate has to face in the twenty-first century. This debate would be intertwined with the problems related with demography such as aging of population. The emergence of the Green Party in developed countries indicates how debate in democracy is shifting towards the concerns of environment and ecology. It is argued that the inequality is the product of the policy political force, but there is greater danger that the solving inequality through policy may further have environmental consequences. The inequality might also have environmental consequences. 'The effect of inequality on environmental outcomes depends on how the costs and benefits of environmental protection are distributed between different social groups' (Kashwan 2016). The policies for solving the problem of the inequality have to carve out a middle path between anthropocentrism and biocentrism.

The current inequality is trend is predicted to continue in the twenty-first century. Its potential to get escalated in other of life has pushed scholars across the world to look into the solution of this problem. Looking into the solution of the problem of the rising of economic inequality does not mean looking for the perfect economic inequality. The perfect economic

inequality is undesirable since it is anti-incentive. Therefore, the contemporary scholars of inequality are advocating for the reduction of economic inequality up to the desirable extent where it does not destroy productivity of economy. Therefore, the scholars of inequality are arguing for bringing back the issue of equity for reducing economic inequality. The redistribution is advocated to the most effective mechanism for reducing economic inequality, but there is limitation to the redistribution because the nature of economy has been getting transformed from Fordism to knowledge economy. The knowledge economy is technologically biased in favour of skilled workers; therefore, it outsources skilled labourers from outside the country and pushes unskilled workers into informal sector. This capacity of knowledge economy, is weakening the bargaining capacity of trade unions, as a result of which share of workers in profit of companies are getting reduced which is leading to the rising of economic inequality. For solving this problem, there is need of massive and equitable public investment in technology and human development. In addition to this, the idea of basic income on the basis of participation has been proposed to solve the income disparity in the informal sector.

The technology is also reducing the productivity of population in terms of reproduction as result of which, wealth and inherited property is getting concentrated in the hands of very few people. This phenomenon has become very common in the developed countries which have achieved demographic dividend. The people of such countries who are inheriting wealth and property are getting richer day by day because they are earning huge amount of money as rent on the inherited property. Since such people are earning and getting richer without doing any labour, this shows that the economy of those countries is day by day becoming less productive and non-meritorious. The inherited property and wealth is creating intergenerational inequality which is preventing social mobility. For solving the problem of intergenerational inequality, the idea of child care income has been proposed. The countries which have not achieved demographic dividend especially developing countries are predicted to problem of aging population which would further cause the rising of economic inequality. To deal with the aging of population, social insurance and pension needs to be introduced.

The rising of economic inequality is an outcome of globalization in addition to the technological revolution. The globalization has been promoting implementation of the neo-liberal policies in developing and underdeveloped countries.. The neo-liberal policies have pushed the issue of economy to go outside the purview of state, as a result which, the



democratic control over the economy has been getting lost. This process is referred as 'de-democratization' which has been causing to the rising of economic inequality. The education and the health are next two sectors which are following the path of economy, the outcome of which is supposed to result into the escalation of inequalities in the health and the education sectors. The democratization of decision making institution is supposed to be the most effective mechanisms of reducing the inequality; therefore, re-democratization has been supposed to be the most effective mechanism of the reducing inequality and bringing equity in the twenty-first century.

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## CONCLUSION

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It can be concluded that, the inequality trends have changed in the last century and the political forces have shaped it. It first declined in the mid-twentieth century and continued till the 1970s, since then, it has taken an upturn, and has reached up to the same level in the 2010 as it was in 1910. The decline of the inequality in the mid-twentieth century as noticed by Simone Kuznets disproved the prediction of Karl Marx who has argued that the inequality would rise with the advancement of capitalism. Then, there were numerous attempts to provide the explanation of the phenomenon of the declining of economic inequality in the mid-twentieth century. That attempt led to the emergence of the structural-functionalist school which suggested that the engines of modernity, accompanying democracy lead to the decline of inequality. The underline assumption of the structural-functionalist school was that the democracy and economic growth leads to the emergence of the middle class, which acts as a balancing force in any society. The political parties located at the extreme left and extreme right try to capture the political power but for doing that they need support of the middle class. In order to gain the support of the middle class, both party left and right leave their rigid ideological position, and adopts a soft position on the various social issues which produces a stable cohesive society.

The decline of the inequality in the mid-twentieth century coincided with the 'second wave of democratization' which forced scholars to draw the conclusion that actually; it was the march of democracy which led to the declining of inequality since it is long held belief that the inequality has inbuilt structural mechanisms which reduce inequality. The universal adult suffrage and the right to free speech, and association have been two most important mechanisms which are identified to reduce inequality. The universal adult suffrage was supposed to reduce inequality because power hungry politicians were believed to enact redistributive policies for capturing the vote of large marginalised communities. On the basis of this old logic, the structural-functionalist school has formulated the 'median voter theorem', according to which, the political parties would compete for gaining the vote of middle class. In this schema, the marginalised communities have been seen to have potential to capture political power. The right to freedom of speech, expression and association to all citizens were seen to empower workers to get politicised and form trade unions. The trade unions have been seen as vehicle of collective action that would increase the bargaining

power of workers, and would led to increase in the wage of workers. The final outcome of which is supposed to reduce inequality from society.

The current scholarship (Piketty 2014) on the inequality falsifies the above mentioned explanations about the decline of inequality in the mid-twentieth century and suggests that the external shocks caused by the great depression and world wars forced states to respond with welfare policy which led to the decline in the economic inequality during the mid-twentieth century. The world wars caused heavy damage to wealth and physical property as a result of which return on the wealth got declined, in addition to this, the business class could not directly participate in the war, therefore, it has trade off with the state, as a result of which state increased progressive taxation on the business elites. The cumulative outcome of these two processes was the decline of the economic inequality and the increasing of the financial health of state. The post war state, on the pretext of welfare of soldiers, introduced welfare services which were availed by common masses also, the whole process led to the decline of economic inequality.

The post war state could not continue increasing taxes for long time as trade off with business class, so the welfare state gradually became incapable in funding the welfare schemes. This resulted into the Financial Crisis in 1967 which led to the beginning of the financial globalization in 1970s. The economic inequality which was declining in the mid-twentieth century continued till 1970s, and since then, it has started rising. The rising of economic inequality and the beginning of the financial globalization coincides with each other; therefore, the conclusion is drawn that the globalization is the cause of the rising of economic inequality.

The globalization has led to the emergence of global economy which is managed by the global market. The global market has further led to the emergence of global capital which has more freedom, causing the domination on the labour. This domination of the capital over the labour in the global market has been leading to the rising of economic inequality because the market is fundamentally shaped by the capital and labour, whose interaction is facilitated by the technological advancement. So, the technological advancement is also very important cause of the rising of economic inequality. The impact of the technological advancement has been different in different countries. The technological advancement has been transforming world economy from the Fordism to the knowledge economy. The knowledge economy is biased in favour of skilled workers as a result of which, it discriminates with the unskilled

workers in wage payment and job employment. This feature of the knowledge economy is pushing unskilled workers in the informal sector which is adding to the rising of economic inequality since the informal sector has differential wage payment and the lack of job securities. The workers of this sector largely remain uncovered in the government's social security schemes. This further contributes in the rising of economic inequality.

The emergence of the informal sector is a typical feature of the countries which have not achieved demographic dividend. Such countries have huge population but less resource for training young population with technological skills and making them suitable for the job market, as a result of which, such countries are facing problem of massive unemployment which is causing to the rising of the economic inequality. The countries which have achieved demographic dividend are facing the problem of rising economic inequality differently. The technological advancement of those countries have created awareness in the society as a result of which, those countries are witnessing decline in the growth rate of population. This decline in the population has prevented the division of inherited property, so a wealthy class have got emerged in those societies that class is getting richer day by day because of the rent received on the inherited wealth. This phenomenon is promoting inefficiency in the whole economy.

The knowledge economy has also potential to outsource workers from the outside countries, as a result of which, those workers never meet and interact with each other. Hence, the capacity of workers to form trade union have got declined. The change has been leading to the decline of the number of trade unions also. The declining of trade unions has been leading to the declining of worker's bargaining power for increasing wages. The cumulative outcome of all these phenomena is the rising of the economic inequality.

The idea of global market has led to the emergence of the idea of global governance, on the pretext of which, the international financial institutions have emerged which have been pushing their agenda on the developing and developed countries. The structural design of those institutions is such that they intrinsically favour the developed countries in general and the elites in particular, this has contributed in the rising of economic inequality. These institutions designs law for the international market and trade, which are getting incorporated in the domestic laws since the courts of the developing countries as well as the under developed countries are bound to interpret the domestic laws in the friendly manner with the international economic laws. The intrinsic biasness of the laws of these institutions has

produced a worldwide class of economic elites, which is referred as the world's top one percent. This world's top one percent holds more than what rest 99 percent holds. The worrying fact about the current inequality trends is that the income of the world's top one percent which is more than the rest 99 percent is increasing rapidly. And there is strong possibility that this trend would to continue in the near future which means in the twenty-first century.

This world's top one percent speaks common language; meet each other; do business together; and the most importantly, they share a common world view; therefore, they are like a class whereas the rest 99 percent do not share anything common except income, and hence, is not a class (Anand and Segal 2017). This is the reason why the world's top one percent is able to twist the policies in their favour whereas the rest 99 percent is unable to do anything. The upper strata of the world's top one percent comprise of the highly technocratic, CEOs of MNCs and heads of the financial institutions. It is these people who are nowadays setting the agenda for economic policies.

The idea of global market has pulled out the economy from the purview of state, as a result of which the democratic institutions have been gradually losing their control on the economic decisions. On the pretext of the global governance, the global economy is getting managed by the international economic institutions, and these institutions are dominated by those who share same worldview as the world's top one percent. Hence, it is the policy decisions of these institutions which are causing to the rising of economic inequality globally. This process is referred as the 'de-democratization' which has been leading to the rising of the economic inequality despite the onward march of the 'third wave of democratization'.

The rising of the economic inequality has potential to get escalated in the other spheres of human life; therefore, the World Economic Forum-2009 has declared it as having highest potential of the danger in the twenty-first century. However, education and health sectors are in the domain of imminent danger because they are on the way to follow the path of the economy. Therefore, this phenomenon demands solution of the problem of the rising of economic inequality. The solution of the potential impact of the rising of economic inequality does not mean looking for the perfect economic equality. The perfect economic inequality is undesirable since it is anti-incentive which is prerequisite for the increasing productivity. Therefore, the solution of the problem of the rising of economic inequality lies in the looking for equity. The equity needs introduction of scheme of participatory income and a uniform

wealth tax on the inherited wealth. Taking demography into account, there is a need of massive public investment in the human development and skill training. Moreover, the equity also demands providing the equality of opportunity to child and encouraging population growth in the developed countries. There is a need to introduce basic child income for equalising the opportunities and reducing the inherited inequality. The aging of population is another serious concern, and solution of which lies in the making provision of pension, health and recreation activities. The environment and ecology have posed a question mark on the present model of development.

The equity demands reform in the political sphere since the political force shapes the current avatar of inequality, as a result of which, the decision-making structure of the international economic institutions needs to be democratized. The structure of democracy also needs to get transformed while keeping in the mind about adopting the redistribution friendly mechanisms. Such mechanisms like the proportionate election system need to get incorporated in the democracy.

Knowing the gravity of the rising of economic inequality in the era of globalisation, and its potential to get escalated in the other spheres of human life, it is high time to have statesmen, policy makers, journalists, researchers and activists, trained with the multidisciplinary approach, committed for the reducing economic inequality. Their collaborative effort would lead to the reducing of the rising of the economic inequality.

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