Growing Inequalities: A Matter of Great Concern

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"The good we secure for ourselves is precarious and uncertain until it is secured for all of us and incorporated into our common life." - Jane Addams

Introduction

India is ranked 10 among the 20 wealthiest countries in the world in terms of private wealth held by individuals, says a report by Johannesburg-based The New World Wealth, a research consultancy that tracks the global wealth sector. As per the report titled "The W20: The 20 Wealthiest Countries in the World", the value of total individual wealth in India - which includes property, cash, equities and business interests - is pegged at $3,492 billion in 2015. Nothing wrong in people working hard and amassing wealth. But what is quite alarming is International Monetary Fund (IMF)'s warning that both India and China face the social risk of growing inequality, thereby suggesting that there is a problem with the redistribution of incomes in both these economies as high economic growth rates are not reducing inequality.

IMF in its regional economic outlook for Asia and Pacific, said that Asian countries are unable to replicate the "growth with equity" miracle and pointed out that inequality has only increased in the past two and a half decades, lowering the effectiveness of growth to combat poverty and preventing the building of a substantial middle class. "Within-country income inequality has risen in most of Asia, in contrast to many regions. In some larger countries (such as China and India), spatial disparities, in particular between rural and urban areas, explain much of the increase," the report said.

Why Tackle Inequalities?

Harvard philosopher T. M. Scanlon offers four reasons for tackling and fixing the problem.

1. Economic inequality can give wealthier people an unacceptable degree of control over the lives of others. For example, ownership of a public media outlet, such as a newspaper or a television channel, can

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give control over how others in the society view themselves and their lives, and how they understand their society.

2. Economic inequality can undermine the fairness of political institutions. If those who hold political offices depend on large contributions for their campaigns, they will be more responsive to the interests and demands of wealthy contributors, and those who are not rich will not be fairly represented.
3. Economic inequality undermines the fairness of the economic system itself. Because, economic inequality makes it difficult, if not impossible, to create equality of opportunity. And people with few assets find it harder to access the first small steps to larger opportunities, such as a loan to start a business or pay for an advanced degree.
4. Workers, as participants in a scheme of cooperation that produces national income, have a claim to a fair share of what they have helped to produce. According to John Rawls' Difference Principle, inequalities in wealth and income are permissible if and only these inequalities could not be reduced without worsening the position of those who are worst-off. One may not have to accept this to believe that if an economy is producing an increasing level of goods and services, then all those who participate in producing these benefits — workers as well as others — should share in the result.

British epidemiologists ***Richard Wilkinson and Kate Pickett***, *In The Spirit Level: Why Greater Equality Makes Societies Stronger*, published in the U.S. on Dec. 22, 2009, present data suggesting that almost every indicator of social health in wealthy societies is related to its level of economic equality. They found a very strong correlation between income equality and societal well-being. Humans are highly social beings, i.e., either we behave competitively or cooperative. In more unequal societies, people are more out for themselves. Their involvement in community life drops away, and that's corrosive.

What's the issue?

Preamble to our constitution, declares that "WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC and to secure to all its citizens:

- JUSTICE, social, economic and political;
- LIBERTY, of thought, expression, belief, faith and worship;
- EQUALITY of status and of opportunity; and to promote among them all
- FRATERNITY assuring the dignity of the individual and the unity and integrity of the Nation;

Now let's see where India stands on education and income as per the latest study by the World Economic Forum.

According to the latest study by the World Economic Forum, the Swiss non-profit that organizes the annual Davos gathering, the rich are going to continue getting richer unless world leaders intervene. Further, as per the recent report by Oxfam, 85 of the world's richest people own as much as the poorest half of the global population does. The extent of inequalities could be gauzed from the fact that the multi-billionaire Bill Gates would need 218 years to exhaust his wealth if he were to spend one million dollars each day.

The trickle-down theory says that economic benefits provided to the rich or high income earners will help society as a whole, as their extra wealth or income will be invested or spent on the economy, creating jobs, wealth and income for the poor or lower income earners. But the WEF's study concludes that this simply isn't happening. The WEF study, conducted over two years, analysed more than 100 indicators across areas such as education, health and markets. And here's *how India fared in two of the key areas namely education & income inequalities:*

Education: High on Access, Low on Quality

Education is not all about studying and getting good marks. It is really a means to discover new things which we don't know about and increase our knowledge. Further, an educated person has the ability to differentiate between right and wrong or good and evil. Hence, it is the foremost responsibility of a society to educate its citizens. Since education is considered to be the primary driver of growth and increase in incomes, equity in access to all social groups remains a tough goal for developing countries such as India. In the lower middle income group, India scored 3.35 points on a scale of 1-7 with one being the worst and seven indicating the best performers. Compared to countries in the same group, India was ahead of only Pakistan while countries like Indonesia, Egypt and Philippines did considerably better. In access to education, India scored slightly higher with 3.79 points out of 7 while Sri Lanka was way ahead with a score of 5.01.Quality of education in India was found to be worse than Indonesia, Sri Lanka and Philippines. Overall, India was ranked at 31 out of a selected group of 36 peer countries in ensuring education and skills for its citizens.

WEF Education Score among Lower Middle Income Economies:

	Overall	Access	Quality
India	3.35	3.79	3.14
Egypt	3.91	4.47	3.05
Indonesia	4.68	4.78	4.54
Nigeria	0.00	2.70	0.00
Pakistan	3.13	2.93	3.08
Philippines	4.07	4.77	3.40
Srilanka	0.00	5.01	3.64

Source: WEF's The Inclusive Growth and Development Report, 2015

Income inequality

Gini coefficient is a measure of the deviation of the distribution of income among individuals or households within a country from a perfectly equal distribution. When expressed as a percentage, the coefficient hovers between 0-100 with 0 suggesting everyone's incomes are equally distributed and 100 signifying maximum inequality in a country where wealth is concentrated in fewer hands.

The WEF study took account of Gini indices under two heads which were pre-transfers and post-transfers. The pre-transfers index is used to estimate inequality without factoring in subsidies and taxes, while the post-transfers index counts the two. Among its peers, India had a relatively high rate of inequality according to the Gini coefficient which was 51.9% pre-transfers which slightly came down to 51.4% post-transfers.

Inequality Scores for Lower Middle Income Economies:

	Pretransfer	Post transfer
India	51.90	51.40
Egypt	33.80	31.80
Indonesia	45.00	42.10
Iran Islamic	39.60	37.20
Nigeria	45.80	43.50
Pakistan	41.30	38.50
Philippines	46.60	42.80

Source: WEF's The Inclusive Growth and Development Report, 2015

Smaller economies such as Armenia and Albania had a Gini coefficient closer to 35% signifying more evenly distributed incomes. And among India's neighbors', even Pakistan, Egypt and Iran fared much better. Overall, India was placed at a low 32nd place out of 34 nations considered under the same income group, according to its inequality indices.

What Needs to be Done?

For reducing inequalities government must ensure universal access to good quality basic goods and services: food, housing, basic amenities like water and energy, health services, education and social protection. Monetary and financial policies need to be reoriented, to encourage greater inclusion of those excluded and to make the financial system that provides financial security and possibilities for stable intermediation between savings and investment, rather than lead to vulnerability and enhanced possibilities of economic disruption.

As we all know, a large part of existing inequalities arise from unequal control over assets, which include natural resources such as land, water, minerals and other fruits of nature, as well as produced productive and financial assets. The increasing concentration of all such assets needs to be countered by explicit policies to reduce it and spread the access to resources and assets more equally. Well some people might argue that redistributing incomes is self-defeating. But International Monetary Fund backed study dismissed rightwing theories that efforts to redistribute incomes are self-defeating.

The Washington-based organization, which advises governments on sustainable growth, said countries with high levels of inequality suffered lower growth than nations that distributed incomes more evenly. Backing analysis by the Keynesian economist and Nobel prizewinner Joseph Stiglitz, it warned that inequality can also make growth more volatile and create the unstable conditions for a sudden slowdown in GDP growth. And in what is likely to be viewed as its most controversial conclusion, the IMF said analysis of various efforts to redistribute incomes showed they had a neutral effect on GDP growth.

Conclusion

As rightly said by Franklin D. Roosevelt "*The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.*" The greatest country is not that which has the most capitalists, monopolists, vast fortunes, with its sad soil of extreme, degrading, damning poverty, but the land in which there are the most homesteads, freeholds — where wealth does not show such contrasts high and low, where all men have enough — a modest living— and no man is made possessor beyond the sane and beautiful necessities. Let's hope that powers that be take cognizance of growing inequalities and initiate required corrective steps, lest the social tensions might increase threatening the very fabric of the society.

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