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# Addressing inequalities from a global perspective

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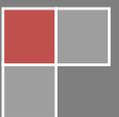
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# Addressing inequalities from a global perspective<sup>1</sup>

Prof. Azfar Khan<sup>2</sup>

*This disposition to admire ...the rich and powerful, and to...neglect, persons of poor and mean condition...is at the same time, the great and most universal cause of the corruption of our moral sentiments.*

**Adam Smith *Theory of Moral Sentiments***

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<sup>1</sup> Key Note speech at the conference entitled “Addressing inequalities in the Arab region”, organized by AFA/UNESCO/AUB, September 2018.

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One might think that talking about 'inequality' and its manifestations would be a fairly routine chore. After all, it is an issue that has been touted by academics, policy makers, labour representatives and political activists for some time now as a salient concern in our world today. There have been prominent pronouncements: President Obama called it "the defining challenge of our time". Pope Francis tweeted that "inequality is the root of social evil". Closer to home for us at the ILO, Sharan Burrow, the Secretary-General of the International Trade Union Confederation was scathing in her remark that: "Inequality is a poison that is destroying livelihoods, stripping families of dignity and splitting communities". But it is not just those of liberal persuasion –and I certainly consider Pope Francis a liberal- that have expressed serious disquiet about inequality. Alan Greenspan the former head of the US Federal Reserve, a self-styled libertarian and a devotee of Ayn Rand, called: "inequality as the most dangerous trend afflicting the United States". However, even though a tacit agreement may be ascertained over the political spectrum, it tends to break down on the ethical level on the intrinsic aspects of equality and inequality.

The picture is not so clear-cut as one might think. A few weeks ago, while researching for some material on the subject on the various Internet sites (like Project Syndicate, Wall Street Journal, Social Europe, Information Clearing House, Zero Hedge, Economics and others), I came across more than 50 articles on the issue published in the space of a month. And, of course, there are two sides to the coin. The arguments in these articles have ranged from those submitted by professed defenders and apologists of inequality to those expressing a vitriol criticism of the outcomes.

And these discussions and debates have tended to get quite ideologically turbo-charged. As Saith points out: "There seem to be unbridgeable schisms between diametrically opposed positions; all held passionately, each invoking sound theory, strong evidence, scientific methods and sturdy ethics in support." Those who defend inequality range in their arguments from denying the evidence of high and rising inequality –and/or its damaging consequences- through convoluted and controversial empirics to arguing that it is a regrettable necessity in the development of humankind and debating –in a very libertarian and Ayn Rand style- in favour of extreme inequality as proof of a free society and thus, being intrinsically just.

The core position that inequality is naturally good, of course, originates from the ideas of Fredrik von Hayek, Ludwig von Mises and Milton Friedman, the gurus of neo-liberalism. Robert Nozick in his 'Entitlement Theory of Justice' focusing on acquisitiveness and market transfers

provides the ideological justification of their ideas and beliefs in which the State is seen as an interloper. In actuality, Hayek's, von Mises's and Friedman's concern is with what Isaiah Berlin defined as "negative liberty" in which the individuals were deemed to be free of control and, for the above mentioned libertarian proponents, this meant control by the state, which was identified as the oppressor. Hayek, von Mises and Friedman were not really concerned with "positive liberty", which endowed individuals and citizens with the capacities to participate as equal citizens and to achieve higher levels of individual and group development and fulfillment. That was swept under the carpet

One of the seminal economic historians of our time, R.H Tawney, talking about a past era, noted that: "...the rulers of mankind maintain side by side two standards of social ethics, without the risk of their colliding. Keeping one set of values for use and another for display, they combine without conscious insincerity, the moral satisfaction of idealistic principles with the material advantages of realistic practices" (Cohen 2008). Looking at the world around us, I cannot help but feel that his words would account for the state of our present predicament. However, in the present world it is becoming increasingly difficult to stop the professed and the real from crashing into one another.

In such circumstance, those who have benefitted from the "outcomes" of inequality, in protecting their position, become increasingly aggressive and disingenuous in their defense and are forever looking for ways, no matter how tendentious, of putting in a good word for it. As John Kenneth Galbraith observed: "The modern conservative is engaged in one of man's oldest excuses in moral philosophy; that is, the search for a superior moral justification for selfishness." To which we may add the views of a renowned academic who notes that an: "inordinate amount of energy seems to have gone into masking grotesque truths behind camouflaging cosmetics" and goes on to explain that: "Inequalities reflect hierarchies of power and (they) tend to protect and reproduce their privileged positions regardless of the force of intellectual and ethical arguments against its unacceptable manifestations" (Saith 2011). Even John Rawls admitted that one could not simply expect society to want to achieve social justice. After all, why would the rich espouse ideas, which result in the undermining of their positional primacy? Thus, while the so-called "Rulers" visibly nod in deference to ideals of equity and inclusiveness, they reject it as far as politically possible in practice.

The other side of the picture is of mounting evidence of growing inequalities, which is virtually incontrovertible, despite neo-conservative

attempts at obfuscating the situation and obstinate refusal to acknowledge its damaging consequences. Witness the comments of Brian Griffiths, a principal advisor at Goldman Sachs and once a special advisor to Margaret Thatcher, who famously remarked at a seminar debating morality in the marketplace that: "We have to tolerate inequality as a way to achieve greater prosperity and opportunity for all". (We all know that this is nothing more than a regurgitation of the 'trickle-down' hypothesis, which has a long pedigree and of course, has long been discredited).

In recent years, there has been a deluge of reports, papers and books, which have provided and analyzed data demonstrating that inequality rather than abating is getting worse. There is fairly clear evidence that inequality generated by concentration of income as it stands today has depressed economic growth, worsened public health and has had fairly negative influence on the social fabric of countries where distribution is particularly skewed. The research quite persuasively points shows that the rising inequality is strongly correlated with mass unemployment, the collapse of state social programs and the impoverishment of millions of people; working people all over the world are suffering –and it is not just the poorer groups in society who have suffered but multitudes of social groups have been affected- while those on top of the economic ladder are doing just fine or have never done better. This is all well documented in the recent works of, among other, Anthony Atkinson, Joe Stiglitz, Thomas Piketty, James Galbraith, Michael Hudson, Guy Standing and Kate Pickett and Richard Wilkinson.

But what is it about inequality that is bothersome? The philosopher and historian Gyan Prakash -presently the Dayton-Stockton Professor of History at Princeton- in a pioneering paper on inequality published as far back as 1986, remarked that: "Understanding how unequal relations are reproduced over time is as significant as comprehending inequality itself. For unequal relations exist only in human practices that reproduce them." In a similar vein, Oswaldo Sunkel, the noted development economist of the *Dependencia* school noted that historical insight is essential for the identification of structural elements, for it not only allows us to discern the way a system functions within a given structure but also the way in which structural change takes place [Sunkel 1976]. To which I add Stiglitz and Atkinson belief that it is only by understanding the phenomenon we can provide more considered policies with more favourable outcomes. So, our primary task is to see how the social and economic processes have unfolded.

One may very well argue that inequality has always existed and people have all through the centuries lived under unequal relationships. So,

what is the fuss all about? Even the Nobel Memorial Prize economist, Angus Deaton, remarked that: “Inequality is a marker of success...success breeds inequality and you don’t want to choke off success”. But to be fair, he goes on to qualify that: “There is nothing inherently bad about inequality. Whether it is bad depends on how it comes about and what it does.”

In a similar vein, John Rawls in explaining his theory of redistributive justice, which advocated the well being of the worst off in society, did not disagree with a degree of inequality, which is in everyone’s interest. He argued that if a policy raised inequality but also raised the income of the worst off, then it would be fair to introduce it. But if inequality led to a lowering of living standards of the worst off, then it was unjust.

More recently, Thomas Piketty in his seminal work, “Capital in the 21<sup>st</sup> Century” suggested that inequality should not be dismissed off-hand. We need some inequality to grow, but excessive and extreme inequality can be harmful for growth because it reduces mobility and can lead to the political capture of democratic institutions. (e.g. In a recent paper Raj Chetty, professor of economics at Stanford University and his colleagues on the ‘Equality of Opportunity Project’ in the US, found that most of the decline in absolute mobility is driven by the more unequal distribution of economic growth rather than the slowdown in aggregate growth rates).

Indeed, it is not so much that inequality exists, but the form it takes and what is associated with this form. To quote, the late Angus Deaton again: “inequality is not the same thing as unfairness and it is unfairness, which has incited so much political (and social) turmoil in the rich world today”. True! But one could very legitimately argue that it is the prevailing form of inequality, which is associated with so much unfairness prevalent in the world today. Today’s inequality has endowed, at one end of the spectrum, the chosen few with economic and political power, while at the other end it has sapped energies and denied –and continues to deny- the less fortunate opportunities to advance themselves. And that is the root of unfairness.

There is simply no set of *a priori* rules that can protect society from drifting into a state of inequality that cannot be defended by efficiency arguments, and which would in fact be considered unacceptable by everyone when the social contract is negotiated. Two centuries ago, Adam Smith argued that wealth concentration should only be tolerated if it contributed to a desirable social order. The only justification for it was whether the processes of wealth concentration created unintended social benefits and whether human nature could be relied upon –in conjunction with institutional initiatives from the State- to limit its adverse

consequences for society (Smith 1759/2000). However, this is not the case in the world today, where high levels of inequality have suggested imbalances in political and economic power, as those at the top have used their economic muscle to shape politics in ways that gives them more economic and political control thus, monopolizing the benefits. Predictably, the system shaped by the control of the powerful, even takes away the fundamental right of decision making of the socially and economically vulnerable and insecure, and deprives them of the right, and opportunity, to shape their own destinies. They have no, or very little, control over their lives. Economic paternalism then prevails which ensures their low standing in society of the disenfranchised in every which way. There are rising concerns about unequal opportunity, and about social mobility, as the distributions of income and wealth becomes more and more unequal. In other words, to use Atkinson's terminology, the growing 'inequality of outcome' is undermining the 'equality of opportunity'.

And this is the heart of the matter. The relevant question to ask is: How has this "excessive" inequality come about and what it has meant for the populations at large? This is fundamentally a question of social justice and the furthering of inalienable rights, the progress on which seems to have stalled.

The novelist, John Lanchester, remarked that: "Rising inequality is not a law of nature - it's not even a law of economics. It is a consequence of political and economic arrangements, and those arrangements can be changed" (Lanchester 2010). In other words, what he is saying is that it is all about policy or policies. Indeed, in 2014, the Organization for Economic Co-operation and Development (OECD) published a report entitled: "Society at a Glance", which highlighted the "staggering rise of poverty, hunger, unemployment and social distress in countries throughout the world in the aftermath of the 2008 economic crash." The report as such was a damning indictment of the capitalist system and the social and economic policies pursued by governments throughout the world.

However, it would also be misleading to believe that it was only the 2008 crisis from which all the ills emerged. The fact that 10 years on things have not improved, perhaps even worsened, only suggests an impotency of response, the inability and even an unwillingness to act. In fact, the wheels were in spin a long time before; the turning point happened in 1980 with the election of Margaret Thatcher's Conservative Party in the UK and Ronald Reagan coming to power in the US. This is when neo-liberal ideology gained ascendancy and began to influence economic and social policies. These policies were institutionalized under the

banner of what we know as the “Washington Consensus”, and the somewhat forced global application of which by the Washington-based international financial institutions has become synonymous with Globalization.

So what did the Globalization policy package, which we now associate with producing extreme inequality and a bipolar world, propose? Fundamentally, it pushed for free and unfettered markets and quite commensurately advocated for: (i) the liberalization of financial and capital markets globally; (ii) promotion of free trade; (iii) the securing of individual property rights over physical and financial assets; (iv) privatization of public assets and social policy; (v) a reduction in the size and role of the public sector (including privatization of publicly-owned productive assets, and an end to managed trade and industrial policies), and (vi) promotion of labour flexibility, which as Guy Standing so aptly puts it led to: “the dismantling of all institutions and mechanisms of social solidarity, which, in their view, were “rigidities” holding back the market.”

I could talk about these policies at length; about how they have led to slower and more volatile economic growth rates, unstable trade and financial flows, loss of policy control by national governments and the fiscal problems that have been engendered; about how the taxation system has morphed from a progressive orientation to a regressive one and how de-regulation has shifted the locus of power to the financial sector. Tom Naylor, Professor Emeritus of economics at McGill University, captures the outcomes quite succinctly though also somewhat irreverently, when he states that: “Over the (last) thirty-plus years ‘globalization’ (a polite term for big companies setting up in places free from environmental restrictions or pesky unions), ‘fiscal reform’ (AKA tax cuts for the rich balanced for the sake of fairness by welfare cuts for the poor), and ‘liberalization’ (i.e. turning financial predators loose to do what they wanted with other people’s money) have interacted to pave the way for a new parasitocracy” (Naylor 2011).

Very droll, indeed. And very entertaining, but focusing on macro policy(ies) is not the intent of my talk here. Today, I would like to focus on the outcomes and the havoc that the policies and processes have inflicted in the lives of the majority of the world’s population –particularly the working people- and in shredding the social fabric of communities and how?

Guy Standing makes a cogent point that with the advent of these neo-liberal policies the whole architecture of distribution changed. In the post Second World War period, world leaders made an unprecedented commitment to the promotion of social and economic security. The world

was expected to move steadily to situations in which most citizens of the industrialized world were protected by social services, transfers and institutions that provided a dense network of security “from cradle to grave”. A system was carved out which rewarded entrepreneurship and innovation and provided incentives for hard work. At the same time it defended individual liberties and tried to ensure a fairly equal distribution of material benefits to sustain a social compact between classes and provide protection to those at the lower rungs of the income ladder (ILO 2004).

In most of the developing world — even if there was awareness that it was not possible quickly to provide this type of security — there was commitment to achieve it. Economic growth and development were built on security, and were expected to strengthen security — the means and the ends were twins (ibid). This was the social democratic phase of modern capitalism

Sixty years later this has given way to a world controlled by Big Finance, Big Pharma and Big Tech, which have connived “to forge a global architecture of institutions strengthening rentier capitalism, maximizing monopolistic income from intellectual property (Standing 2016).” Indeed, what is shaping the global economy today and leading to furthering the excessive inequality –by design- is the growth of rentier capitalism.

Let me explain, rentier income is essentially one where income is gained, not through the creation of value, but by virtue of ownership of assets, be they physical, financial or proprietorial (i.e. patents, trademarks and the like). Estimates suggest that 25% of the world’s GDP (\$18 trillion) at present is made up of economic rents and the proportion is progressively increasing. It seems that the path we are treading is leading us back to the old age of feudal vassalage, i.e. one where the income distribution is intrinsically shaped by the distribution of inherited and acquired wealth

By capturing ‘democratic institutions’, the ones at the top –the powerful and wealthy- have taken advantage of their market and political power to further enrich themselves at the expense of the rest. As one would expect their policy preferences have tended to reinforce the status quo (of inequality). The upshot of such development, of course, is that it has led to situations of economic insecurity and social exclusion for many.

I will give three examples of how this happens. Let me first take the issue of privatization of public goods—which Standing refers to as the ‘plunder of the commons’- where the transfer of a country’s common resources is passed into the hands of the rich and wealthy. Think of public parks, public utilities (water, railways, energy) and highways. Such government programmes, which give away a country’s resources to the

powerful and well-connected increase inequality and quite perversely require the vulnerable and the poor to pay rents upwards, as user fees and the like.

The second example is the privatization of social policy, which impedes access of the vulnerable and the poor to essential services, like health and education because of the progressive decline in government benefits, and requires these so-called losers in the process to increasingly fend for themselves. Take the case of the US, where people's lives have been irreparably damaged because they cannot afford the costs of health care. Moreover, Stiglitz (2012) points out that the access to education has become more selective and naturally favours the offspring of the wealthy and the rich. We can see the undermining of the 'equality of opportunity' here and the impediments to social and economic mobility

However, the example of the US pales in comparison to what is going on in the developing world, where such measures and their impact is far more pronounced. Corruption aside, many regimes in the developing world went down this road in trying to secure investment funds for development. But in order to secure the loan(s), they had to comply with the conditionalities imposed by the Bretton Woods institutions in which privatization of social services was a key demand.

The third example that I would like to present is of the growth of intellectual property and rental income earned through copyright laws, patents and trademark applications. Here I am totally indebted to the recent works of Guy Standing and I would seriously urge all of you to peruse the research to fully understand what exactly is happening. Standing points out that these are intangible assets, which generate economic rents derived from natural or contrived scarcity enabling companies and individuals to gain income simply by virtue of possession. As far as intellectual property goes, the state creates and enforces regulations and laws that generate vast rental incomes from patents, copyrights, brands and trademarks and it seems that the spread of intellectual property has been mainly for purposes other than rewarding or supporting innovation.

Many patented inventions and copyrights are derived from publicly subsidized research, so Standing asks the question: why should an individual or corporation gain all the income? After all society made the income possible. There have been exceptions with people being committed to a moral conscience. Take the case of Tim Berners-Lee, who invented the "world wide web" but did not take out a patent because he felt that, as his research was financed from public funds, it was

unethical and morally wrong to do so and he felt it should be a public good. Google, Amazon, e-Bay, Facebook are all built on it but it has not stopped the so-called “genius innovators” of the applications from enriching themselves by piggy-backing on a publicly funded platform. Had Berners-Lee taken out a patent, he would have been a billionaire himself; perhaps more so than Larry Page, Mark Zuckerberg, Jeff Bezos and others of their ilk. But he didn't. The World Wide Web Consortium he founded made the decision to make it a royalty-free technology, which could easily be adopted by all and which greatly speeded up the development of the Internet.

The public also bears much of the risk for which intellectual property rights are reportedly created. Thomas Jefferson, one of the founding fathers of the American state and the third president of the republic, opposed copyright as being a tax on knowledge. But in this era of rentier capitalism, governments around the world have granted monopolies over knowledge to private interests allowing them to restrict public access to knowledge and to raise the price of obtaining it or of services and products embodying it. There are stiff copyright rules, which restrict access to books and articles including educational materials and scientific papers. Standing (2016) illustrates this and points out that: “access is controlled by giant media companies such as Elsevier, Springer, Taylor and Francis and Wiley that charge enormous subscription fees to libraries of the universities that produced the work (usually for free) that they are selling back to them, a practice rightly termed a ‘notorious rent-seeking boondoggle’” (term attributed to Peter Baldwin in his book “The Copyright Wars”)

Yet the modern state has strengthened patent protection granting a tiny minority a monopoly income for twenty years, while copyright can last up to ninety-five years. As one observer noted: “The real purpose of these (protectionist measures) is with ensuring that only current business holders of brand labels, trademarks, and industrial designs get to rip off the public. In that way a corporate-planned impermanence of a product can be offset by a legally enforced permanence of the suppliers name, therefore securing a flow of rentier income, raising stock-market value, and, of course, puffing the quick resale value of the ‘intellectual property’ these institutions pretend to be so concerned with protecting” (Naylor 2104). The income thus generated -and largely gained from society's generosity- is augmented by large government subsidies, mostly in the form of tax breaks without any obligation to give back to society. It is an injustice and needs to be reversed.

The policies promoting the three developments described above –and the promotion of labour flexibility in production processes, which I will

discuss shortly- are, to my mind, the main factors responsible for the present state of extreme inequality. In effect, the crux of these policies has essentially been to subordinate the public interest to the private one and the resulting inequality has come about not as a result of the free operations of the market but “as the predicted consequence of institutional interventions deploying an ideological agenda” (Standing 2018). As we all know now, the 2008 crisis just did not happen; the meltdown of financial markets was the result of institutionalized fraud and financial manipulation.

Let’s move on to considering a more micro oriented economic and social impact.

There is ample research, which suggests that the economic and social policies pressed on the populations of the world in recent years have eroded networks of support and social solidarity, increasing the vulnerability of vast majorities and inhibiting productive initiative. The resulting insecurity has bred social tensions that have wrecked prospects of generating a sustained economic growth and development.

The question that then arises is: who exactly are these losers? Who are these people who have been made economically and socially insecure?

Standing in his book, “The Corruption of Capitalism; why rentiers thrive and work does not pay” reflects that just as industrial capitalism defined a class structure, so too has rentier capitalism. He provides a framework of such a structure, which has emerged over the last 30 years. At the top of the pyramid is the so-called 1% -the elite, the winners- the *plutocrats and oligarchs* mainly to be found in the developed world but growing in Asia and in emerging economies.

Below them are the *salariat* and *proficients*; the former who still have regulatory protection but for many their wage earnings have suffered. Among the *proficients*, many of whom are freelance professionals who earn well but enjoy very little institutional support and their well-being is essentially determined by the skills they can sell. Both of these classes enjoy secure status for the moment but social and economic stresses are growing, as are the obligations and if the situation persists, their social and economic security may suffer.

The ones who have grabbed the short-stick are the *Precariat*, whose economic position has consistently been undermined by the policies enacted and the processes at play. The *flexibilisation* of labour is perhaps the key element in the determination of their social and economic position. A major feature of the currently orthodox neo-liberal model of growth is that labour insecurity, in the guise of “flexibility”, is portrayed as a desirable (if not the sole sustainable) engine of growth.

The flexibility introduced in the labour market has essentially meant a global informalization of economic activity, involving a spread of forms of labour and work not covered by protective regulatory and social protection systems. So, what one finds is that regular jobs are declining and there is a growth of naturally insecure irregular employment.

This is linked in part to technological change and globalization, and has involved more turnover of firms, more use of sub-contracting and production 'chains', and a tendency to contract out the employment function by making more use of external labour, such as contract workers, outworkers, homeworkers, agency labour, temporary workers, and teleworkers. It has also meant a flexibilisation of the wage system with a movement from fixed to flexible wages, monetization of remuneration (i.e. such as emphasis on piece rate payments and payments for achievement of targets), greater use of bonuses, etc. (ILO 2004) Through this 'flexibilisation' the employers have been able to cut their costs and augment their profits

Another source of insecurity for the *precariat*, also nurtured by neo-liberal policies, has been the loss of voice as a result of de-unionization, erosion of 'tripartite' institutions and the changing character of collective bargaining, essentially nurtured by neo-liberal policies. Some in the *precariat* do, but a vast number cannot, rely on an institutional structure of support, that can advance their interests.

In the twentieth century, welfare states, labor law, collective bargaining, trade unions, and labor and social democratic parties were built by and for this group. However, that structure is falling apart and is fast losing progressive energy and direction. As such, the *precariat* "is being forced to accept, and is being habituated to, a life of unstable labor without any representation" (Standing ....)

Their numbers are growing and are being continuously fed by, among other, college graduates and dropouts, women, migrants, and others. Now it seems that not only is social and economic security, which was taken for granted in the past, a "barrier" to growth but there is also no reason to believe it should be a major development goal at all. People are expected to adapt to a world of insecurity. In other words, ordinary workers and working communities are being obliged to bear most of the worst forms of insecurity, whereas large scale asset holders are relatively well-shielded.

Along with the rise of unstable labor, the second dimension is distinctive relations of distribution, or structures of social income (The term "social income" refers to all sources of income—own-production, wages, non-wage enterprise benefits, occupational benefits, community benefits,

state benefits, and family transfers). The *precariat* relies mainly on money wages, which allows them to procure for themselves and their families the basic necessities of life, i.e. food, clothing, housing health care, recreation, etc., and the wherewithal for their self-development. But over the last three decades, real wages have been falling, which has significantly weakened the economic position of this group. Worth mentioning here is a report on wage inequality released by OECD in 2017, which noted that median wages in the OECD's 35 member countries were in 2016 still below where they were in 2007. For the bottom ten percent of wage earners, the news was worse; wages for this bottom decile declined by 3.6 per cent in the 2007-2016 period. But wages rose for the top ten per cent. This report on wage inequality also found that inequality had increased in most countries. No part of the world was immune.

Importantly, the report also found that the crisis had not only heavily affected the number of jobs but also their quality. Even in countries where labour market slack had been re-absorbed, low-quality jobs and high disparities among workers in terms of work contracts or job security weighed heavily on low-earning households and contributed to maintaining high levels of income inequality. The report mentioned that wages had been stagnant or falling in real terms for three decades. In the aftermath of the crisis real wage growth had stalled in most countries, including those that were largely spared by the recession (for example, Japan) and fallen in those hard hit (e.g. Greece, Portugal, Spain, and the United Kingdom).

The *precariat* has also been losing non-wage forms of remuneration mainly because of the movement from regular to non-regular employment, while the *salariat* and elite have been gaining them, making the growth of social income inequality greater than it appears in conventional income statistics. The *precariat* rarely receives paid holidays, paid medical leave, subsidized transport or accommodation, paid maternity leave, and so on. They have also lost entitlement to rights-based state benefits (welfare). They live on the edge of unsustainable debt, knowing that one illness, accident, or mistake – hazards, which are never far away- could render them destitute.

Perhaps, this may be the source for the growth of neo-fascism and xenophobia, which is now seemingly ubiquitous in the developed world, as the *precariat* become ready recruits. There is a seething anger beneath the surface, which is being cynically exploited by neo-fascist populists. As Saith (2011) notes: "...they (the *precariat*) have little idea of the reality and even less knowledge of the real reasons behind economic outcomes; they are easily swayed by a mass media which is itself

manipulated. They become discouraged citizens, sullen, inert, easily mistaken for stoic.”

Their sense of helplessness is overwhelming. Saith recounts a testimony of a worker named Eric working at McDonalds in Oregon, USA, which is well worth quoting in its entirety. Eric says: “The people I live with and work with and talk to work at McDonald’s or as security guards or on a road crew –they are high school graduates thinking only about paying their bills and have no idea about politics in this country. If you try to engage these people about the state of the economy, just in passing, they have no idea and they don’t care. They know bad things have happened to them, they know they can barely pay their bills. They are scared but they don’t know why things have gotten so bad and they don’t know how to find out anything. That’s what scares me- they don’t want to find out because they say knowing won’t change anything. They say what they know doesn’t matter because they can’t do anything about it”

This meshes in perfectly with Standing’s view that the primary problem of the *precariat* is chronic insecurity and an associated inability to develop meaningful and ecologically sustainable lives. Thus, unless a transformative strategy can be devised, they will continue fall prey to neo-fascist politics and the regressive agenda, which poses such a grave threat to a civilized future. Promoting a new income distribution system, as we at BIEN believe, will offer a viable and attractive alternative. It then becomes clear also that any move towards resolving the inequality concerns must focus on the well being of this group.

### **Way forward**

Clearly what we have are social entities at complete odds with a vision of a Good Society. So, what do we do about all this? Piketty suggests that this is the internally logical result of the development of capitalism - the upward distribution of income as exploitation accelerates through work speedups, layoffs, movement of production to low-wage havens and the panoply of deregulatory measures resulting from corporate capture of governments. He draws quite a pessimistic picture where higher levels of inequality will persist rather than subside, both in the developed world as well as in the emerging economies, unless strong policy measures are taken to rein them in. Although he does provide a direction through the proposition of a progressive taxation and the imposition of a global wealth tax, he sees little hope of such policies being enacted.

But this needn’t be so. Evidence suggests that countries of Northwest Europe and Japan have experienced much less inequality –and the concentration of income at the top- than the USA, UK and other Anglo countries. In these countries with relatively much less inequality, incomes

of the middle and working classes and also the poor have gone up more rapidly than in the Anglo countries, while their economies have grown more or less as fast and levels of material well-being for ordinary people have kept pace.

This would suggest that more equal economies are not necessarily less dynamic, and more unequal economies are not necessarily better at raising mass living standards, as default neo-liberal thinking would have us believe. As Robert Wade puts it that from this “we can conclude...that the trend towards rising concentration of wealth is not quite as hard-wired into capitalism (as Piketty makes it out to be). Policies institutions and politics –all changeable- have more of a role in income distribution than the more fatalistic passages say” (Wade 2014). Constant policy adjustments in the form of redistributive policies, which reduce inequality of economic outcomes, would then contribute to enhancing the equality of opportunity.

So in a sense state intervention can work towards ameliorating and rectifying the damaging excesses of inequality. Many, much more qualified than me, (e.g. Anthony Atkinson, Joe Stiglitz, Guy Standing, Jayati Ghosh, Yannis Varoufakis, Dani Rodrik, Diane Elson and many others) have proffered the policy solutions. The common thread that links these works is an argument for a more active role of the state. The proposed solutions presented make it fairly clear that inequality can be reduced without the societal costs of doing so outweighing the social benefits. So, though the solutions are there, the fundamental question is not economic or social in nature. We have to ask: Is there a political will?

Even if the reversal of neo-liberal policies takes place anytime soon, the results will be long drawn out and not something that will be evident in the near future; the elite will not give up without a fight. As J.K. Galbraith once remarked: "People of privilege will always risk their complete destruction rather than surrender any material part of their advantage."

In the meantime, immediate action needs to be taken to assist those who have suffered the consequences. And indeed, action has been taken with orthodoxy (neo-liberalist approaches) advancing a “social safety net”-type of approach to social protection, which has involved more targeting, selectivity and conditionality, i.e. making benefits and social services available only for those identified by means-test and behavioural conditions. Food subsidies and food-for-work programmes, targeting and means-tested benefits, public works, micro-credit, social funds, vouchers, minimum income integration schemes, workfare and tax credits are some of the prominent ones falling under the social safety-nets rubric.

However, evaluation of these schemes has shown them to be either: expensive to administer with a high bureaucratic overhang and transaction costs which gobble up funds ostensibly allocated for poverty relief; where the benefits of any new development are appropriated by the relatively better-off in society particularly where means-testing is involved; where the take-up is low and often perverse, so that not only do more of the poor fail to receive the benefit but those who do are not among the most needy; and finally, of course, these schemes are paternalistic as they take away the recipient's capacity and freedom of action towards a state of obligation.

But with the orthodoxy this was entirely predictable, because in defining inequality they pigeon-holed it as "poverty"; reducing inequality meant removing poverty. The policy makers –and indeed those who influence policies- are comfortable about this approach of helping the poor. Who isn't? All the major religions as well as secular humanist philosophy command us to help the (deserving) poor. However, insecurity is not just in the domain of the 'poor'; there are many groups that are affected by it. But by focusing on the poor through the provision of access to services and safety nets allows them to airbrush away the larger distribution structure. To paraphrase the economist, Robert Wade, the problem is that if the larger structure is presented as a problem, then they (the policy makers) themselves become part of the problem.

We, at BIEN, believe that more universal approaches tend to work much better and it is in this vein that we have broached the idea of a universal basic income (UBI). We feel that a basic income would improve security more effectively than current means-tested schemes, which are directed at the poor only. If properly designed, a basic income should reduce the incidence of poverty, the number of people living in relative poverty, as well as the depth of poverty of anybody in or near the poverty line, whatever it might be. A basic income will not eradicate poverty. No policy by itself ever will. But it would go a long way in removing the threat of impoverishment for many.

However, like everyone else, we too are ideologically biased; why are we pushing for a UBI? (This is where I become a bit pedantic, so I hope you will excuse me). Our ideological position starts with the notion of providing 'basic security' to all. Basic security matters because without it, incentives to work, learn and develop shrink and confidence wanes. Without it, people lose all sense of having control over their lives and then become dependent on the largesse of others.

But 'basic security' is not some airy and ethereal concept that we are promoting. A major ILO programme, which I represented, focused on

devising programmes and policies for attaining basic security for all. The culmination of the programme's work resulted in the publication of a book entitled: *Economic Security for a Better World*, which had a wide exposure in academia and among activists.

As envisaged, 'Basic Security' rests on 4 pillars:

- *Freedom from morbidity.* People cannot be expected to act freely and responsibly if they are on the margins of survival. They need a distance from catastrophe. A basically free and secure society may be defined in part as one in which all groups have an equal freedom from morbidity.
- *Freedom from fear.* The same equality must apply here, if basic security is to prevail.
- *Control of own development.* This must include the capacity to acquire education, and make decisions in real freedom. Also a person must have the capacity to be able to deliberate and choose between options. This requires both physical and mental capacity.
- *Sustainable self-respect.* There is a "poverty of dignity", as well as a poverty of food or income. The person who is deprived of food may rob or may fall prey to social illness. The person who is deprived of dignity may take more violent action.

Basic security matters because human freedom and dignity matter to all human beings. In fact, it could be reasonably argued that real freedom cannot exist unless a certain level of basic security exists. Freedom lies in that: the unimpeded capacity to establish one's own ends; the capacity, time and space to determine the way in which one will pursue those ends; and the capacity to engage in the pursuit.

Underlying the value of freedom is human dignity. It is implicated both in the establishment of personal goals, and in the pursuit of the means for achieving them. Human beings, we believe, must be able to choose for themselves who they are, and who they will be. This is self-definition; it is the basis of a person's sense of self, of self-worth.

Thus, a Good Society would be one in which everybody, regardless of gender, age, race, religion, disability, and work status, has equal basic security. Basic security is a human need and a natural public good, since, unlike a typical commodity, one person's having it does not deprive others of it. Indeed, if others have security too, that should increase everyone's security, making it a superior public good.

A UBI will not in itself bring about basic security; it must work in tandem within a larger social policy umbrella. What it can do is assist in the transformation towards the Good Society.

Are we witnessing the capitalist system in its death throes? Admittedly this is not something that we can be certain of as yet. Nevertheless, the time is upon us to advance a new world vision and for that it is all the more necessary to build movements that can move societies toward a better world. Even if the final decay of capitalism has arrived, that decay is likely to unfold over decades unless a global movement, uniting the variety of social and environmental movements and struggles across borders, can speed up the process. The only alternative is for inequality to get worse and the repression necessary to impose that inequality to get still more severe.

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