
INEQUALITY AND ITS IMPACT

Dr. T. THILEEPAN.M.Sc. (Ag.), M.B.A., M.Phil., Ph.D.

Assistant Professor

Dept. of Business Administration

Annamalai University

Annamalai Nagar – 608 002

T. JEEVA M.Sc., M.Phil., M.Ed.

Senior Lecture

DIET

Oddenchatram, Dindigul (Dt).

Abstract

This is paper is an attempt at exposing two concepts: Inequalities are brain child of capitalism and impact of inequalities. Inequality is inevitably produced during the normal operation of capitalist economics and cannot be eradicated without fundamentally altering the mechanisms of capitalism. Inequality is necessary to produce a diversified labour force, because of its role in the production of an expropriable surplus and because of its function as an incentive to work. Unemployment, underemployment and poverty are inevitably produced by mechanization, automation and the uneven course of economic development. Inequality underlies our whole economic way of life.

Keywords: Inequality, Capitalism, Poverty

A Marxist theory of Inequality

The Marxist view is that inequality is inherent in the capitalist mode of production. Inequality is inevitably produced during the normal operation of capitalist economics, and cannot be eradicated without fundamentally altering the mechanisms of capitalism. In addition, it is functional to the system, which means that power holders have a vested interest in preserving social inequality. There is little point, therefore, in devoting political energies to the advocacy of policies which deal only with the symptoms of inequality without altering its basic generating forces. Hence the call for social and economic revolution, the overthrow of capitalism, and the substitution of a method of production and an associated way of life designed around the principles of equality and social justice.

Intraclass inequalities

According to Marx, income inequality is inherent in the wages system. Under capitalism human labor – life-time, effort, thought, and anxiety – is treated as a mere commodity to be bought by an employer for a certain price, or wage. Marx argued that wages must cover not only basic subsistence to maintain the body but also some socially defined wants to keep the worker relatively content and to fuel economic growth. In addition wages contain the costs of replacing “worn-out workers with new ones” or the cost of raising and educating children; that is the development of future laboring power through education and the acquisition of skills. As different types of labor require different levels of education and skill, so wages must differ between various categories of workers. As a first result therefore, income inequality is necessary to produce the variety of labor needed by the various levels of a multitude of different economic activities. Secondly, by allocating the costs of social reproduction through the wage mechanism, by allowing each “race of workers” to produce its replacement, the capitalist system ensures inequality of access to the skill hierarchy within the working class. Thirdly, inequality of access to education and skills allows groups of wage and income earners to exaggerate the income differences inherent in the skill hierarchy by partially monopolizing, and thus restricting, the labor supply into certain levels of the labor hierarchy. Inequalities of income and opportunities within the class of wage and salary earners are thus built into the wages system. Hence, Marx declared, to clamour for equal or even equitable retribution on the basis of wages system is the same as to clamour for freedom on the basis of slavery system, what you think is just or equitable is out of the question. The question is: What is necessary and unavoidable with a given system of production? And the political conclusion for the working class? “Instead of the conservative motto, ‘A fair day’s wage for a fair day’s work!’ They ought to inscribe on their banner the revolutionary watchword, ‘Abolition of the wages system!’”

Interclass inequalities

In return for wages, the capitalist receives, living labor power, the creative force by which the worker not only replaces what he consumes but also produces a surplus, which accrues to the capitalist. In fact, capital itself (the raw materials, instruments, and machinery of production) has been produced by surplus labor power in the past. Capital is historical labor power accumulated by the capitalist class because it has been able to pay labor a sum less than the value of the goods produced by the workers i.e., it has been able to exploit them. A private enterprise economy,

therefore, will inevitably have great income inequalities between the capitalist class, which controls the use of accumulated past labor and receives part of the production of many workers in the form of profit, and the proletariat, “owners merely of labor power”, which receives income only in the form of wages.

Over time, as capital accumulates, Marx argued that interclass inequalities will grow. He recognized that the income of the worker increases at certain times, such as during periods of rapid economic development, and that poverty tends to diminish during such periods, but he argued that over the long term the accumulation of capital places an increasing share of national income in the hands of the owner of the means of production. The material position of the worker may improve, but this is at the cost of his relative social position. Thus, in terms of class equality, the interests of capital and the interests of labor in economic development are diametrically opposed.

The Functions of inequality

Social inequality is, of course, extremely useful as a spur to greater efforts on the part of wage and salary earners, particularly in a highly acquisitive, materialistic country like the United States. New trends in consumption are constantly introduced in the upper echelons of the social hierarchy, when they diffuse downwards through an extremely efficient system of consumption – oriented communication media, until even the very poorest people are infected by the newest commodity mania. The vast majority of people are caught in a never ending struggle to earn sufficient income to allow them to consume a style or volume similar to the pacesetters of the consumption group above them. This type of inequality is highly functional in that it ensures that even the dirtiest and most boring of jobs get done, and it extracts the last ounce of effort from the labor force. In the end it is also a source of systemic weakness, for inequality is functional only as long as “the unequals” believe there is a chance they can achieve at least a reasonable facsimile of the consumption of the upper classes. Inequality is the source of enormous frustration and alienation among groups which no longer believe in this chance, and the social problems which result from such feelings represent one of the most fundamental contradictions of advanced capitalism.

Report on inequality:

The latest in a series of annual reports from Oxfam, detailing the level of economic inequality in our world, is a striking example of Marx’s prediction that capitalism concentrates wealth in fewer and fewer hands.

The report, released on January 18th, confirms for many what they already know: the rich are getting richer. The wealthiest one percent now own collectively that the remaining ninety – nine combined. Oxfam had predicted this would become a fact by the beginning of this year. In fact, it became a reality in 2015.

The absurdity does not end there: the richest sixty two – billionaires wealth has increased by more than \$500bn since 2010, now standing at \$1.76 trillion. Despite the total global population growing by 400m in the same period, these sixty – two individuals are as wealthy as half the world’s population. This is capitalism in all its glory. The rich get richer, while billions of

people struggle to survive on meagre wages and, according to UNICEF, 22,000 children die each day of poverty.

Oxfam's report merely puts into words what we are seeing before our very eyes across the world, namely, dropping living standards, wages that do not rise with inflation, public sector cuts across the board, and a squeezing of the working class for everything they're worth.

Oxfam points out that approximately \$7.6 trillion in private wealth is currently held safely in offshore tax havens. Meanwhile millions of ordinary workers and youth suffer under daily austerity measures and attacks against living standards.

In 2008, worldwide debt was around \$30 trillion. Despite ostensibly imposing austerity on workers across the globe to reduce debt, the opposite to what was promised has been achieved. Current worldwide debt now stands at \$55 trillion. Every minute this increases by millions. With no view to breaking with capitalism and striking at the heart of the system – the banks and big monopolies – the state inevitably looks to impose even more austerity on the poorest in society.

What the Oxfam report show is that in the midst of deep crisis, the rich continue living their lives of luxury. The poor are plunged ever deeper into poverty. It is a confirmation of Marx's prediction of class polarization – as capital accumulates in the hands of one class, the workers are ever exploited, opening an unbridgeable gulf between the two. In their hunt for profit the capitalist strip the middle classes of their privileges and reduce them to the same low level as the workers. This process of concentration of wealth and Capital in the hands of an even smaller minority is a part of the Capitalist system and its inherent anarchy.

Oxfam's reports have been detailing this rise in inequality for a number of years. It is no wonder they have been threatened with the removal of their charitable status in a number of countries. In 2010, 388 billionaires owned half the world's wealth – enough to fill a jumbo jet. The 2014 report, "Even it Up", showed that by 2013 that figure had fallen to eighty – five – enough to fit on a double – decker bus. It is now sixty – two, enough to be seated comfortably on a single – decker coach. In capital terms these sixty – two humans are "worth" 3,600,000,000 other humans.

This club of the ultra-rich, on the current trajectory, will only need to travel by mini-bus by 2020, adding further savings to their cash-piles. You might well ask, at what point will one person own as much wealth as half the world?

Oxfam's statistics and the extreme poverty visible on the streets of even supposedly wealthy nations show the system is no longer sustainable. A backlash is becoming evident across the world as waves of protest movements develop in one country after another.

The solution is clear. The system is preparing a revolt. We must take our destiny into our own hands. Capitalism no longer furthers the needs of humanity, and must be swept away. Wipe out global debt by ending the rule of the banks. Expropriate the sixty-two billionaires, the one percent, and the banks and monopolies that are the basis of this rotten capitalist system.

UNICEF has just released its annual report that showed that at least one billion children, half of the world's children, suffer from poverty, war and the Aids epidemic. This figure is in itself a shocking condemnation of the kind of system we live in. The system needs to be overthrown.

UNICEF has just released its annual report, which reveals most shocking figures. Almost one billion children all over the world are denied at least one of seven commodities deemed

essential: shelter, water, sanitation, schooling, information, healthcare and food. At least 640 million children lack adequate shelter, while 140 million have never been to school. Safe water is something that 400 million children are denied while 500 million live without basic sanitation. No less than 90 million starved.

As pointed out by UNICEF itself, these conditions in effect deny them a childhood. More than one in six children are severely hungry. One in seven has no access to healthcare at all.

"Too many governments are making informed, deliberate choices that actually hurt childhood," said Carol Bellamy, UNICEF director at the report launch in London. "When half the world's children are growing up hungry and unhealthy, when schools have become targets and whole villages are being emptied by Aids, we've failed to deliver on the promise of childhood."

War on the people

From the heart of Africa, where sectarian conflicts are raging through one nation after another, to Latin America, where hurricanes have ruined countless families, and Asia, where floods and landslides have swept whole towns away, it is clear that one group of people pays more than any other - the young and the weak. Half a million children under 15 died of Aids last year and 2.1 million children across the world live with HIV. Fifteen million children have lost a parent to Aids - no less than 80 per cent of whom live in sub-Saharan Africa.

Perhaps the most shocking figure in the whole report is not on the terrible conditions half of the world's children have to suffer. It is the simple solution to this horror. Goals set by the UN in 2000 to lift poverty across the globe could be achieved at a cost of just £52 billion. That may seem a big amount of money but it could be raised in a matter of minutes. Last year, globally £712 billion was spent on weapons. Precisely these guns, mortars, mines and shells are maintaining the present catastrophe, with dirty wars all over the globe.

Indeed, the major factor that keeps more than a billion children in a state of poverty is war. And as usual in our "best of possible worlds", these wars are fought over material interests, i.e. natural resources such as diamonds, oil and coltan. Ever heard of coltan? It is a mineral used in mobile phones, mined in Africa and exported to the West. According to the UNICEF report, about half of the 3.6 million people killed in wars since 1990 were children. Millions more have been displaced by wars and forced to become child soldiers.

Incidentally, today it was also reported that six years of conflict in the Congo have claimed 3.8 million lives - half of them children - with most victims killed by disease and famine. More than 31,000 civilians die each month as a result of the conflict, the International Rescue Committee reported, citing mortality surveys prepared with the aid of on-site medical teams.

As Carol Bellamy from UNICEF pointed out, "Poverty doesn't come from nowhere; war doesn't emerge from nothing; Aids doesn't spread by its own choice. These are our choices. What we are saying in this report is that choices made by political leaders in many cases are very often negative when it comes to children."

The report further stated that, "bridging the gap between the 'ideal childhood' and 'reality' experienced by half the world's children is possible by adopting a human rights based-approach to social and economic development with special emphasis on reaching out to the most vulnerable." The questions remains, of course, what the vague "human rights based-approach" is supposed to mean. What is certain is that it won't be the approach of the Bushes and Blairs of this

world. They were caught in a scandal involving torture in Iraq and Guantanamo Bay. They are the ones who hypocritically talk about combating Aids while squeezing the African continent and the Middle East with their divide and rule policies. Darfur is only one of the latest examples of this game.

As a side note, "The State of the World's Children 2005" also stated that even children in better off countries were victims of rising poverty rates. In 11 of 15 industrialized nations, the proportion of children living in low-income households over the last decade has risen. This list includes Austria, Germany, Italy, the Netherlands and Poland, where children living in poverty rose to 16.6 percent of all children in the late 1990s and early 2000s from the 14.0 percent it had been a decade earlier. The crisis does not only affect the ex-colonial world - it is a global problem. Capitalism is the name of the game

First of all we need to start from a clear analysis of the situation. Why is it that 1.2 billion people are living on 1 dollar a day and 3 billion on 2 dollars a day? (World Bank figures) Utter reactionaries claim African people are inherently incapable of developing their countries. This racist argument is just not serious. Other people claim that the poor in the world should be patient and simply need to follow the example of the West. In the West itself, the argument goes, it also took a hundred years to achieve reasonable wages, social security and the welfare state in general.

What they don't explain is that in the last century for each of these achievements a bitter struggle had to be waged. These reforms were achieved only through class struggle. It was also achieved in a period of world economic boom. The pressure of the revolutionary waves that followed the First and Second World War were decisive factors in this progress. After the First World War there were revolutions in Russia, Germany and other countries, which terrified the capitalists. They were afraid of a general revolt against their oppressive regimes, in which they risked losing everything. With their backs against the wall, they were forced to give concessions to the working class in the industrialised countries.

However, that was not the end of the story. As a compensation for these reforms, the exploitation of the colonies was intensified. After the Second World War this trend was pushed through even more in order to avoid revolution in the West. The capitalist system can only survive by maintaining exploitation, oppression and inequality in a great part of the world. Within the so-called "free market" system Africa cannot reach the living standards of the West. It is clear that the way forward is not the capitalist road. We need to look further than the narrow perspective offered by most Third World organisations.

The tactics of most NGOs and charity organisations won't ever solve the fundamental contradictions in society. For example, while in Latin America one revolution after another sweeps the continent, most NGOs propose to create yet another small cooperative or install an extra well. While the people try to overthrow the present regimes, they propose to set up Western style trade unions or to "democratise" their governments.

They forget that these government^ only serve the rich and survive thanks to the big landowners and American imperialism in particular, They forget that most Western trade unions have long abandoned the struggle for a better world and only adopt policies of softening serious

conflicts with the bosses or government. Thereby they neglect the fact that bourgeois democracies and the state are not neutral but are there to serve capital.

In Africa in particular, the *comprador* bourgeoisie is openly collaborating with Western imperialism and is in effect a significant part of the problem. So it is not a matter of the "rich North" against the "poor South" but a matter of *class against class*. In all ex-colonial countries a vicious clique is ruling over the people. Hence, the question should be posed in a political way, that is of overthrowing these regimes, organising the people and making them conscious of their own power instead of limiting oneself to doing symptomatic charity work.

The bleak picture in the whole ex-colonial world contrasts sharply with the promises on children's rights about a healthy and protected life, as laid out in the 1989 UN Convention on the Rights of the Child. This latest report on these terrible conditions is only one more condemnation of the present system. It shows how futile the empty words of all bourgeois politicians are. In spite of their hollow promises (Kyoto, Aids, world poverty), they are not interested in solving these burning questions. Instead they continue their imperialist wars under the fig leaf of democracy and the "war on terror". But what about this war on the people? In a world with an abundant of resources, tens of thousands of people are dying on a daily basis. What else is this than a new, *permanent* holocaust?

It is important to understand that there is a method in the madness. These kinds of problems won't simply go away by adding another drop in the ocean. Structural problems demand structural solutions. They require a radical change in the present economic system.

We cannot solve these fundamental problems by adopting temporary, superficial remedies. We can have a charitable approach, but then a new war breaks out. More people are killed, more basic infrastructure is destroyed. The work of a hundred charities can be undone by one small war.

Wars take place under capitalism because they are terribly profitable. To put an end to this nightmare it is necessary to destroy the very system that causes the wars, the hunger, the poverty. That system is called capitalism. It must be overthrown. That is what Marxists fight for systematically in every corner of the labour movement nationally and internationally.

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