

Sunday 7 April 2008

Emerging Economies Forum: summary of inequality discussion

Introduction

DB-A argued there are two major discussions on international inequality. First, there is a discussion on measuring inequality which prompts more of a debate but which was of secondary importance. Second, there is a debate on the meaning of inequality. The latter is of greater importance but not so widely recognised.

The measurement debate focuses primarily on trends in income inequality since the 1970s. There are, broadly speaking, two sides. Those critical of globalisation tend to argue that inequality is widening and poverty increasing in absolute terms (eg Joseph Stiglitz, Robert Wade, Thomas Pogge, Sanjay Reddy). Those sympathetic to globalisation generally see inequality as narrowing and poverty decreasing in absolute terms (eg Martin Wolf, Surjit Bhalla, Xavier Sala-I-Martin).

DBA said that the different conclusions often flowed from different methodologies used. Eg whether the debate was focused on within-country inequality, between country inequality (population weighted or unweighted) or global inequality. Whether it looked at income at market exchange rates or purchasing power parity. Whether it relied on national accounts or household survey data. It was largely arid and to an extent irrelevant.

In relation to the change of meaning several factors were important:

- * There is widespread acceptance of the need to focus on the poorest of the poor.
- * The problem is increasingly seen in moral and psychological terms.
- * Inequalities are seen as dangerous - so development and security are more closely linked.
- * Inequality is increasingly seen as a problem of "excess" by the rich.
- * From such a perspective curbing economic growth can become a moral imperative.

Discussion

Disagreement focused on how to take up anti-growth sentiment. Some argued that "growth scepticism" is not a useful way to frame the debate. It counter-poses growth and anti-growth in an unhelpful way. For example, Amartya Sen has a point in arguing that there is more to development than GDP growth. The rejoinder was that the concept of growth scepticism was developed precisely to take up the indirect character of the critique of growth. GDP is not a perfect measure of output but the attacks on it were generally motivated by growth scepticism. In any case we should separate discussions of statistics and the meaning of growth.

Another debate centred on the different character of debate in, for example, China and Angola. In the latter only a small minority were benefiting from growth. The contrary view was that it was wrong to make any concessions to growth scepticism. In any case the problem with the likes of Angola was the lack of growth in the bulk of the economy rather than the rapid growth in the oil sector.

Useful points were also made on periodising the growth and economy discussions: (i) From the rise of the working class until the 1960s the focus was on social inequality - it was related to an attack on class society. In that context the critique of inequality expressed a progressive instinct. (ii) The demise of contestation provided the basis for a different type of discussion to emerge. In the 1960s and 1970s - when inequalities were widening and much of the third world was stagnant - it focused more on the third world. (iii) More recently, from the mid-1990s onwards, the discussion has taken a psychological turn with an emphasis on human greed and weakness. The contemporary discussion on income inequality is essentially driven by misanthropy. Even the wealthy are seen as untrustworthy.

It was also argued that the “Kuznets curve” has considerable truth to it as description of growth patterns. Backward agrarian societies tend to be relatively egalitarian if extremely poor. Industrialisation tends to widen inequalities at first while raising living standards. Widening inequality is a price worth paying if it is in exchange for higher living standards (eg it is progressive in relation to greater inequality in contemporary China). We should not be worried about this if it is a symptom of general economic development. We need to challenge the culture of low expectations - exaggerating the destructive side of capitalism - and putting the case for social change, for a better world. Should not make concessions to the alleged down sides of growth.

The point was made the economic growth is a pre-condition for the development of human individuality. Expanding control over nature and greater social organisation are key to advancing humanity. Therefore growth should not be counter-posed to human welfare.

It was also the case that security and development were linked during the Cold War - even though they were formally separate. At that point the West saw development as the best way to deal with the “communist threat” (eg Walt Rostow). Today it is formally linked but in a psycho-social, therapeutic way, whose aim is not to touch anything material (eg see Mark Duffield’s work on the active discouragement of development). Some argued the contemporary concern with security had a token character and really expressed a concern with managing society.

A question raised towards the end was what is the elite doing to slow growth?
