

# THE POLITICS OF INEQUALITY: BUILDING CONSENSUS FOR INCLUSIVE ECONOMIC AND SOCIAL DEVELOPMENT

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## ABSTRACT

The level of economic inequality in a population can be defined as the extent to which individuals within that population do not have equal access to income, wealth, or other quantities of interest. In the common discourse, the degree of equality that currently exists within a given society is sometimes thought to be a measure of how fair that society is. At the very least, the concept of inequality has been on the minds of economists since the field of economics was first recognised as a separate academic study in the middle of the eighteenth century. The beginning of broad disparity in human civilization probably dates back to the beginning of the Neolithic era, which began roughly in the neighbourhood of 12,000 years ago. This is significantly further back in time than this. Recently, inequality has become a particularly politically contentious topic, with famous figures on both sides of the political spectrum having strong opinions on the subject. In spite of this renewed focus, there is a pervasive lack of clarity among citizens regarding what inequality is, how it has been developing over time, and how it affects us. This lack of clarity is ubiquitous. This lack of understanding has repercussions for us in a variety of different ways. This is something that can be seen clearly. In the same vein, there is evidence to imply that "too much" inequality is associated to unfavourable effects on both society and the economy. How can policies help in reducing this inequality? There are examples where policy interventions have made miracles in the lives of poor, we explore more here.

**Keyword:** *poverty reduction, strategies and income distribution in India, policies.*

## INTRODUCTION

Both in the academic community and among those who make decisions about public policy, there has recently been a resurgence of interest in the topic. There has been a recent uptick in interest in the topic of economic inequality, which comes despite the fact that the study of economic disparity has a long and illustrious history. Both the nature of the relationship between economic growth and inequality, as well as the consequences of this relationship for determining whether or not the amount of disparity that currently exists within an economy, is suitable, are topics that are currently the subject of intense debate. This debate focuses on both the nature of the relationship, as well as the consequences of the relationship, for determining whether or not the amount of disparity that currently exists within an economy. This discussion is centred on both the nature of the relationship and the implications of the relationship, with the goal of deciding whether or not the degree of disparity that currently exists within an economy should be reduced.

A particular emphasis is placed on emerging nations, which have a greater degree of inequality than other countries. The unequal treatment of nations is not going to be the primary focus of attention in this section. In

addition, we place a primary emphasis not on inequalities in consumption but rather disparities in income and wealth, which is an emphasis that can be found in the relevant literature. This focus can be seen emphasised in a variety of locations within the body of relevant literature. In this paper, we will delve deeper into the topic of how inequality could be evaluated, as well as analyse the differences that exist between each of these concepts and investigate how they are distinct from one another. The structure of the income distribution as well as the manner in which this form influences the outcomes of economic and social systems is the primary focus of our attention.

Vertical inequality relates to both of these aspects. Vertical inequality refers to the structure of the income distribution. The structure of the income distribution might be seen as an example of vertical inequality. Vertical inequality is not the same as horizontal inequality, which examines whether or not results are skewed based on factors that are considered to be improper determinants, such as a person's gender or ethnicity. This question can be expressed as "are the outcomes skewed as a result of causes that are vertically aligned?" When it comes to the problem of horizontal inequality, there is considerable consensus that the pursuit of equal opportunity is a good objective. This is one area where there is widespread agreement. On the other hand, the pursuit of "perfect equality of outcome" is not something that should be pursued, and neither of these things should be pursued. (Atkinson 2015, Mankiw 2013).

**Perhaps we should make a point of honoring the fact that different people have different opportunities.**

There is a possibility that growing economic disparity is an indication of a robust and developing economy. According to Kuznets' theory, which Chang (1994, pages 1-2) mentioned, the evolution of income inequality at the national level is stated to take the form of an inverted 'U' curve. This is in conformity with the fact that Kuznets' hypothesis was cited by Chang (1994, pages 1-2). This suggests that initially, inequality would worsen as a nation continues to progress in its level of development; yet, as a result of this trend, it will eventually improve. This is because of how the trend works. The way Milanovic sees it, this idea might be overly conceptualized because it does not appear to be backed by facts from the most recent era of history (2016). In a similar vein, Cingano (2014) observes that higher levels of inequality encourage aggregate savings, which in turn enables capital accumulation due to the fact that wealthy individuals have a lower propensity to consume. In other words, higher levels of inequality encourage savings because wealthy individuals have a lower propensity to consume. To put it another way, greater degrees of economic disparity make it feasible for greater amounts of capital to be amassed. Inequality, as a consequence, increases the possibility that the wealthy will spend their income in the economy and, as a consequence, create further possibilities; this is an example of the ancient expression "a rising tide that lifts all boats."

**It is possible that there is an issue with injustice in this situation.**

The negative instrumental implications of inequality may include a decrease in economic growth as well as a fall in wellbeing determinants including a reduction in the occurrence of health problems, social challenges, and political instability. Additionally, there may be a fall in the number of people who have access to better educational opportunities. The unequal distribution of income has been linked, according to the findings of a number of economists, to the former state of affairs, which is characterized by economic growth moving in the opposite direction. Additional developments have been made, such as the discovery that there is evidence that the length of a growth phase has a negative link with inequality and that the long-run growth rate is associated with equality in the income distribution. Both of these findings are considered to be additional advances. For

support in either of these directions, one need only look to the findings of the investigation that Berg and Ostry carried out and reported in 2011.

**The implications of having wealth distributed in an unequal manner are still the subject of a substantial amount of controversy.**

It is necessary to possess some kind of evidence at one's disposal in order to carry out an appropriate assessment of the effects of inequality. There is a lack of robust forms of empirical evidence about the positive and negative effects of inequality because these types of evidence are not readily available for a variety of reasons that are practical in nature. This lack of robust forms of empirical evidence is due to the fact that these types of evidence are not readily available for a variety of reasons. This deficiency in strong forms of empirical evidence is attributable to the fact that these particular varieties of evidence are not easily accessible for a number of different reasons. This is the fundamental reason why academics continue to have a substantial amount of disagreement over the implications of inequality, in particular regarding the topic of whether or not they are beneficial. In the course of this conversation, concerns relating to ideologies have been neglected.

## **MANIFESTATIONS OF ECONOMIC AND SOCIAL INEQUALITIES IN EXISTING SPS**

Despite the fact that many nations turned to Social Protection System (SPS) to offset the terrible economic impacts of the COVID-19 pandemic, those individuals who have traditionally been disregarded in social protection systems have, for the most part, continued to be marginalized. This is due to the fact that SPS was not able to fully offset the effects of the pandemic. Poor administration, hurdles to entrance, and a general lack of investment are generally to blame for the failures of these programmes, in addition to a number of other problems. This latter issue is particularly obvious in a great number of countries located in Africa, Asia, and the states that comprise the states that make up the Arab world. There is a substantial number of countries in Asia and the Pacific that spend less than 2% of their gross domestic product per year on social welfare programmes. This factor is directly responsible for the fact that less than half of the population participates in some form of social security programme.

## **OBJECTIVES OF THE STUDY**

1. To the study of the extent of poverty and income inequality around the world.
2. To the study of the technological change and globalisation while partly explaining recent trends.

## **Politics Matters for Poverty Reduction**

Protecting civil rights, having citizens who are actively involved in their communities and who are well-organized, and having political parties that are capable of successfully involving the poor and other marginalised groups are all essential components of making long-term headway in the fight against poverty. In addition to this, it is essential to have citizens who are effectively organised and who are involved in the day-to-day operations of their communities. The majority of countries with low incomes have relied on the participatory frameworks of PRSPs to involve their citizens in the process of creating and putting anti-poverty policies into action.

This has been done in an effort to reduce the amount of poverty in those countries. This has been the situation in the overwhelming majority of different countries. This has been done as part of an effort to bring the number of people living in poverty down to a more manageable level so that the situation can be better managed. On the other hand, the consultative system that was put into place has, for the most part, been unable of bestowing upon citizen groups the competence to bring about significant change or of compelling policymakers to carry out the aims that were agreed upon. It is not uncommon for many of these organisations to function under the erroneous premise that decisions about significant matters are made by another person or some other entity. In a similar vein, the efforts that are currently being made on a global scale to engage large corporations in the fight against poverty by means of corporate social responsibility, private regulation, and stakeholder dialogue have, for the most part, failed to take into account the ways in which historically, business collaborated with states and social groups in societies that were successful in reducing poverty. These attempts, to put it another way, have failed to take into consideration the manner in which, historically, business partnered with states and social groups in countries that were effective in decreasing poverty.

### **Transformations in technology and internationalization both have a role to play in explaining some modern trends**

Economic disparity may be made worse by technical advancement due to the fact that persons with more experience stand to benefit more from technology improvements than those with less expertise. For instance, the demand for workers with a medium level of education will decrease as a direct result of the advancement of technology to the extent that these individuals are primarily responsible for performing routine jobs that can also be completed by computers. This demand will decrease because of the fact that these jobs can now be completed by computers. Employees with high levels of education tend to focus on abstract non-routine labour, whereas those with low levels of education tend to focus on manual non-routine labour. Both of these types of work are more difficult for machines to accomplish than routine occupations.

As a result, it is reasonable to assume that the opposite effect will be felt by these individuals. If the shifts in the composition of the labour supply are not offset by equal shifts in the composition of the demand for labour, then technological progress may reduce the earnings or employment opportunities of workers with medium skills in comparison to workers with both low and high skill levels. In point of fact, the data suggest that there is a growing stratification of jobs according to different levels of competence. It is feasible that globalisation will result in greater levels of inequality. One of the potential ways that something like this could take place is through the practise of offshoring. The tasks that are outsourced from countries with more developed economies to those with less developed economies are frequently not particularly skill-intensive from the point of view of the country that outsources them; however, from the point of view of the country that outsources them, they are extremely skill-intensive.

As a result of this, offshore leads to an increase in the share of skilled labour that is required in both less developed and more developed nations, which in turn leads to increasing inequality in both sets of nations. Second, if different companies have different levels of profitability and a disproportionate number of low-income workers are employed in low-productivity firms that are harmed by import competition, then trade may increase labour income inequality by lowering employment or the relative earnings of low-income workers. This is because import competition is harmful to low-productivity firms. This is due to the fact that businesses with low productivity have a greater risk of being severely affected by the competition from imports. Even though an increasing amount of research on individual companies lends credence to the idea that there is a

positive connection between globalisation and inequality, it is more difficult to show a strong correlation between globalisation and inequality on an aggregate basis.

The unequal distribution of a worker's pay can also be attributed to issues such as : It is possible for structural policies in education, labour, and product markets to have an effect not only on the employment rate but also on the distribution of incomes among those who do have jobs. This is one way in which structural policies contribute to the existing inequality of income within the labour market (see Koske et al., 2012 for a detailed discussion).

The pay gap can be narrowed and income inequality can be reduced with the help of programmes that promote justice in education and make education more accessible to a greater number of people. The same is true for policies that encourage people to complete their upper secondary education or university education, at least in nations that already have a large proportion of people of working age who have completed their respective upper secondary or higher education programmes. This is the case in nations like the United States and Canada. On the other hand, the effects of many policies that are intended to manage the labour market are not as black and white. This is due to the fact that these policies have an effect on both the total number of jobs available and the manner in which wages are distributed in ways that are not necessarily coherent with one another, at least for certain types of workers. Increasing the minimum wage so that it is closer to the median salary, strengthening employment rights, and making unemployment benefits more generous are some examples of this type of reform.

Reducing the gap in employment protection that exists between temporary and permanent work is one example of a labour market reform that stands out as having a good effect not only on employment but also on pay equality. This is an illustration of a reform to the labour market that has a favourable impact, in this case on employment equality as well as incomes equality. The manner in which the liberalisation of product markets contributes to the existing income gap is not completely understood. Reforms of the product market of many kinds might potentially raise the distribution of wages while also increasing employment. This would be the case even if the reforms increased employment. A rough quantification of the average size of the effects of selected structural policy reforms on the dispersion of earnings is offered in this article.

## CONCLUSION

Inequality is considered as being capable, in theory, of having both positive and negative effects on a number of outcomes, including economic and non-economic ones. This is because inequality can have both positive and negative effects on a variety of outcomes. The findings of empirical investigations have produced varying and contradictory findings. When asked to provide a solution that is adequate to the topic of how much inequality is desirable or acceptable in an economy, most people find it extremely difficult to do so. This is due to the lack of clarity surrounding impacts, as well as the high dependence on context (for example, country, time period), as well as subjective evaluations. Another reason for this is because there are a lot of variables involved. It is not difficult to understand that some degree of inequality is not only unavoidable but also exceedingly desirable. This is something that can be seen clearly. In the same vein, there is evidence to imply that "too much" inequality is associated to unfavourable effects on both society and the economy.

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