

Union Theological Seminary

**ECONOMIC GROWTH, SOCIAL JUSTICE, AND THE BIBLE:
THE SEARCH FOR A NEW SYSTEM**

A Thesis
Presented in Partial Fulfillment
of the Requirements for the Degree of
Master of Arts at Union Theological Seminary

April 16, 2021

Dr. Jan Rehmann
Dr. Samuel Cruz

by

Mathew Joseph Melzhakam

Table of Contents

List of Tables

Table 1: Selected Economic Indicators: U.S. and Europe (1961-2019)	34
Table 2: Government Revenue and Expenditure: U.S. and Europe (1980-2019)	39

Sections

1. Introduction	2
2. Methodology and Limitations	3
3. The Capitalist System	3
3.1 Racism: Rooted in Capitalism	5
3.2 Effects of Racism	7
3.3 Capitalism and Gender Bias	10
3.4 Crisis of Social Reproduction	14
3.5 Ecology and Capitalism	15
3.6 Economic Inequality and Capitalism	17
4. Socialism	21
4.1 Origins of Socialism	22
4.2 Liberation Theology	24
4.3 Karl Marx and Socialism	25
5. Growth Vs Degrowth Debate	26
5.1 The Arguments for Growth	26
5.2 The Arguments for Degrowth	27
5.3 Critique of Degrowth	29
6. From Exceptionalism to Decadence: The American Case	30
6.1 The Path toward the Present State	33
6.2 The Growth-Inequality Equation	35
6.3 The Role of Government	37
7. Reform Proposals	40
7.1 Progressive Capitalism	41
7.2 Participatory Socialism	44
7.3 The Role of Community	48
7.4 Taxation and Social Justice	49
7.5 The Way Forward	52
8. Conclusion	53
Bibliography	55

1. Introduction

In the past four decades or so, the countries of the world while recording some growth rates, the growth in income and wealth has been concentrated in the hands of a small segment of people with a significant proportion continuing to suffer economically and socially. Second, the growth has been achieved through exploitation of earth's resources beyond its regenerative capacity leading to a looming ecological crisis. Third, the economic growth process has exhibited continued exploitation of human labor and earth's resources on the one hand, and the deepening of gender and racial discrimination, on the other. The present capitalist model is blamed for these outcomes and a call to move to a pure socialist model of development has been made by many analysts. Some have even suggested a "degrowth" mode involving a downscaling of production and consumption altogether. However, my contention is that replacing capitalism with socialism or a degrowth model is not a good idea and that the stemming of the negative effects of capitalism can better be achieved by embedding the capitalist system with socialistic characteristics. The resulting system, while preserving the production impulses of capitalism, can avoid the inequitable, discriminatory and ecological effects of the capitalist production process.

The rest of the thesis is organized as follows. The second section gives the methodology and limitations of the study. The next section examines the present capitalist system, its emergence, features and effects. The fourth section considers the socialist counter model, its characteristics, experiments and effects. This section also presents socialist ideas springing from the Bible. The fifth section reviews the degrowth proposal and its feasibility. The next section focuses on the American case where capitalism has produced deep degenerating effects. The seventh section explores socialistic characteristics that can be superimposed on the capitalistic system. The final section draws the conclusion.

2. Methodology and Limitations

This is a socioeconomic study drawing ideas from the Bible. While economists miss out mostly on social aspects, social scientists miss out on economic aspects. Theologians emphasize the ethical dimension. This study considers all the three aspects and takes an integrated view. The financial crisis of 2008-09 has driven home the flaws of the current capitalist market system. Several thinkers have analysed the system fault-lines and come out with possible solutions. These thinkers include economists and social scientists. Theologians have highlighted the moral aspects of the problem. I would critically examine the view points of these thinkers in arriving at an optimal system.

The study while focusing on the U.S., examines the U.S. case in the context of international trends and particularly the trends in European countries. However, the applicability of this study to other countries could be limited. Most of the research for the study is based on published material and no interviews of persons are done for the purpose.

3. The Capitalist System

Although there is no general agreement on the beginnings of capitalism, one can say that it replaced feudalism towards the later Middle Ages in Europe and became fully developed during the period of Industrial Revolution starting in the late 18th century. Capitalism is formally defined as an economic system in which “most means of production are privately owned and production is guided and income distributed largely through the operation of markets”¹ As it evolved over the last two and half centuries, one can identify three stages of capitalism, each one characterized by the dominance of a prevailing set of economic ideas. The first stage started

¹Britannica, The Editors of Encyclopaedia, "Capitalism," *Encyclopedia Britannica*, 23 Sep. 2020, <https://www.britannica.com/topic/capitalism>.

with the Industrial Revolution of the late 18th century and lasted until the Great Depression in the 1930s. Capitalism during this period was based on the ideas of Adam Smith and other classical economists who held that each individual pursuing his own self-interest would lead to the welfare of society as a whole, as if guided by an invisible hand. Capitalism reemerged in a new form after the Second World War, based on the economic ideas of Keynes who suggested a new role for the government to tackle market failures. Western Europe and the United States saw well-distributed remarkable growth till about the early 1970s which marked the end of the second stage of capitalism. The third stage of capitalism ran from about the mid-1970s till 2008 when the Great Recession began following the bankruptcy of Lehman Brothers. This was the period of “neoliberalism” during which the government shied away from any economic role and promoted and handed over that role almost completely to markets through aggressive deregulation. The groundwork for this stage of capitalism can be found in the economic ideas of Milton Friedman who wrote his extremely influential essay in 1970 in *The New York Times* under the caption, “The Social Responsibility of Business Is to Increase Its Profits.”² As noted by Sainsbury, the financial crisis of 2008 marked the end of neoliberalism and “it was no longer possible to argue that markets were self-regulating and that the state had only a minimal role to play in the economy.”³ Stiglitz⁴ insightfully states that the collapse of Lehman Brothers on September 15, 2008 was to market fundamentalism⁵ what the fall of the Berlin Wall was to Communism.

²Milton Friedman, “The Social Responsibility of Business Is to Increase Its Profits,” *The New York Times*, 13 September 1970.

³David Sainsbury. *Progressive Capitalism: How to Achieve Economic Growth, Liberty and Social Justice* (London: Biteback Publishing, 2013), 1.

⁴Joseph E. Stiglitz, *Freefall: America, Free Markets, and the Sinking of the World Economy* (New York: W.W. Norton & Company, 2010), 219.

⁵Market fundamentalism refers to the idea that unhindered free markets alone can lead to economic growth and prosperity.

Capitalism has brought unprecedented economic and social progress. After several centuries of stagnation there has been steady economic growth and along with that rise in living standards, reduction in poverty, improvement in health and also education standards of people. However, capitalism has also brought in its train, rising inequality and other social evils such as exploitation of human labor, depletion of natural resources, and an environmental crisis. Racism and gender inequality are also considered to be the by-products of capitalism. We examine the deep penetration of capitalism into the different aspects of economic and social lives of people around the world.

3.1 Racism: Rooted in Capitalism

Nikole Hannah-Jones, a Pulitzer Prize-winning reporter for *The New York Times Magazine*, aptly calls racism an “ancient brutality, past injustice and present prejudice.”⁶ Historically, racism is linked to slavery. Eric Williams puts it as: “Slavery was not born of racism: rather racism was the consequence of slavery”⁷ In colonial America, starting with Virginia in the early 17th century, the bonded laborers employed in the plantations were initially white immigrants from Europe. Only in the late 17th century, planters began to import slaves in large numbers from the West Indies and Africa. Landowners faced stiff resistance and rebellion from workers often spearheaded by the white workers starting in the 1660s. Threatened by revolution from the workers, they formulated the strategy of “divide and rule” by relaxing the controls on the white labor and intensifying the slavery conditions of the black labor. From 1660, a series of colonial legislation came out clearly separating black and white labor, imposing lifetime bondage for the black including their offspring, and also denying them the right to vote.

⁶Nikole Hannah-Jones, “What is Owed.” *The New York Times Magazine*, June 20, 2020.

⁷Eric Eustace Williams. *Capitalism and Slavery* (London: Andre Deutsch, 1944), 7.

In the above developments, as stated by David McNally, one can see the ruling class of colonial America's "act of inventing race."⁸ A system of white supremacy and black inferiority was being constructed which crossed class lines and placed poor Europeans into white privilege. The rich planters solidified their class status by asserting white racial unity. Freedom was increasingly identified with race and not class. In this process the ideology of modern racism was born.

Here one can see clearly the link between capitalism and racism: racism towards unfree labor was the means to secure cheap labor in the planters' pursuit of profit. The planter class "would have gone to the moon, if necessary, for labor. Africa was nearer than the moon,"⁹ writes Williams. Capitalism thrived in creating a huge wedge between white and black workers who began to hate and fear each other so deeply that they find their interests are opposed to each other. Du Bois¹⁰ explains this split in terms of what he calls "a sort of public and psychological wage" which partly compensated the low wage received by the white workers and made it possible that the wages of all workers could be kept low.

The impact of racism by creating rivalry between blacks and whites had far-reaching consequences then and which are reverberating now. It generated mob violence and lynching on a large scale on the one hand, and came in the way of the emergence of a strong trade union movement to improve the conditions of labor in the US.

The institution of black slavery which created racism lasted well over 200 years after it

⁸David McNally, *Another World is Possible. Globalization & Anticapitalism*, Revised Expanded Edition (Winnipeg: Arbeiter Ring Publishing, 2006), 155.

⁹Williams, *Capitalism*, 20.

¹⁰W.E.B. Du Bois, *Black Reconstruction in America* (New York: The Free Press, 1935), 700.

became legal in 1661 in Virginia. Even after the legal abolition of slavery with effect from 1863 through the *Emancipation Proclamation* of President Abraham Lincoln, the formal system of racial segregation, known as Jim Crow Laws, was instituted by the early 1900s which lasted till the 1960s when the Civil Rights Movement brought full citizenship rights to the blacks.

3.2 Effects of Racism

A lasting effect of racism is the lack of integration of the black community with the rest of America. As noted by Hannah-Jones blacks remain the most segregated group in America today with their likelihood of living in very poor neighborhoods five times higher than that of whites.¹¹ Studies show that the racialized disadvantage puts black families having annual earnings of \$75,000 or more in poor neighborhoods where whites earning less than \$40,000 live. Also, a black family having an average annual earnings of \$100,000 a year lives in a neighborhood with an average annual income of \$54,000. Enclosing the blacks into poor ghettos has persisted.

During the Great Depression of the 1930s, the U.S. government introduced a number of welfare state programs under the New Deal. They greatly benefited the American people, but most of them bypassed the blacks. For example, in the zone-mapping introduced by the federal government for the purpose of insurance for housing loans, black neighborhoods were marked red (“redlining”) denoting their uninsurability. In consequence, most of the loans (98 percent) the Federal Housing Administration (FHA) insured during 1934-1962 went to whites, leaving nearly all blacks out of the government program for building the modern middle class. Also, the Fair Labour Standards Act which raised the minimum wage exempted service and other industries where many black workers were employed.

¹¹Hannah-Jones, *What is Owed*.

The Civil Rights Act of 1964 legally ended discrimination on the basis of race and color. But in reality discrimination continued in many ways. As a result, the gap between the whites and the blacks in America for most economic and social indicators continue to remain large. Cedric Herring¹² states that while there was a steady improvement in educational attainment of African Americans (from an average 5.8 years of education in 1940 to 12.4 years in 1990) making the gap between blacks and whites (at 12.9 years in 1990) just half a year, the earnings gap remained at about two-thirds (62 percent). This, according to him, questions the notion of education as a “great equalizer” for the U.S., and throws light on the anomalous structural aspects of the U.S. society. For example, while a college degree in comparison with a high school diploma earns about \$20,000 per year more for a white man, it translates into just half that amount per year for a white woman or a black woman. At each level of educational attainment, women earn less than men of the same racial group. Besides, for each level of educational attainment, white men earn more than their black counterparts. In short, in American society, there are both racial and gender disparities in earnings even after adjusting for educational disparities. Herring also notes that closing the educational gap between the whites and the blacks has not helped in narrowing the gaps in better-paid jobs, unemployment, underemployment, poverty, homelessness, and social distancing for the blacks.

Herring’s observation about closing the educational gap between whites and blacks can be interpreted as closing only the quantitative gap, as the quality of education the blacks receive has been subpar. The public schools catering to black neighborhoods provide poor quality education mainly due to underfunding of those schools. Also, as noted by Thomas Piketty,¹³ there

¹²Cedric Herring, “African Americans in Contemporary America: Progress and Retrenchment” in *The Minority Report: An Introduction to Racial, Ethnic, and Gender Relations*, Third Edition, ed. Anthony Gary Dworkin and Rosalind J. Dworkin (Orlando: Harcourt Brace College Publishers, 199), 181-208.

¹³Thomas Piketty, *Capital and Ideology* (Cambridge, Massachusetts: Harvard University Press, 2020), 1008.

is a very significant inequality of access to higher education in the U.S. as the likelihood of attending college is a function of the parents' income status, and a highly stratified system with a wide gap between best universities and the rest.

The crisis of mass incarceration in the U.S. affecting disproportionately the blacks is also the result of racism. Michelle Alexander sees in the current system of mass incarceration of the blacks in the U.S. the emergence of a “stunningly comprehensive and well-disguised system of racialized social control” that functions very much like Jim Crow.¹⁴ This is so because, once the inmates are released, they are often denied the right to vote, excluded from juries, employment, housing, and public benefits in a way similar to what happened to African Americans in the Jim Crow period. Hence she says, “We have not ended racial caste in America, we have merely redesigned it.”¹⁵

The “war on drugs” which began in early 1980s, at a time when the illegal drug use was on the decline in the U.S., led to skyrocketing arrests and convictions especially of the people of color. The drug war was instrumental in an explosion of the U.S. prison population from around 300,000 in the 1970s to 2 million in less than thirty years. An important implication from Alexander's analysis is that if the crisis of mass incarceration is somehow removed, its consequences will be continued through the implementation of some other policy as long as racism remains in the U.S.

Hannah-Jones also points attention to some recent studies showing that the income gap between blacks and whites is as large today as it was in 1950. Black median household income which was about half that of white Americans in 1950 remains so today. It is not just the racial

¹⁴Michelle Alexander, *The New Jim Crow: Mass Incarceration in the Age of Colorblindness*, Revised Edition (New York: The New Press, 2012), 4.

¹⁵Alexander, *The New Jim Crow*, 2.

income disparities that remain the same but more critically, the racial wealth gap is also about the same as it was in the 1950s. The average black household today is poorer than 80 percent of white households. Thus there has been no progress in reducing income and wealth inequalities between black and white households over the past 70 years!

Particularly, there has been a sharp rise since the 1980s in the number of black men who are unemployed. Some have dropped out of the labor force after having failed to find decent-paying blue-collar jobs and others are incarcerated. Even before the recent Covid downturn, it is estimated that about 30 percent of black men of workable ages were not employed, which is much more than in previous decades.

3.3 Capitalism and Gender Bias

Marx noted a period of “primitive accumulation” occurring between the end of feudalism and the beginning of capitalism, marked mainly by the expropriation of the land from the peasantry and the formation of the ‘free’ independent worker. According to Silvia Federici,¹⁶ Marx’s characterization of primitive accumulation misses two of its important aspects, namely, the transformation of the social position of women and the “Great Witch-Hunt” of the 16th and 17th centuries. During this period, through policies instituted by a number of European countries against women, “their wombs became public territory, controlled by men and the state, and procreation was directly placed at the service of capitalist accumulation...the female body was turned into an instrument for the reproduction of labor and the expansion of the work-force, treated as a natural breeding-machine, functioning according to rhythms outside of women’s control.”¹⁷

¹⁶Silvia Federici, *Caliban and the Witch* (New York: Autonomedia, 2004), 63.

¹⁷Federici, *Caliban and*, 89-91.

In the late 15th century, in response to the demand from male craft workers, women were banned from the crafts in a number of European countries, confining their work only to the household. This new “sexual contract,” coming at the time of the enclosure movement, can be seen as the proletarian women becoming for male workers the compensation for the land lost to the enclosures, and can be termed “primitive appropriation.”¹⁸ With this historic defeat for women, a new patriarchal order was constructed, reducing women to a double dependence on employers and on men. Although women’s subordination to men existed in pre-capitalist Europe, they had access to the commons and other communal assets at that time; in the new capitalist era, “women themselves became the commons, as their work was defined as a natural resource, laying outside the sphere of market relations.”¹⁹

According to Federici, the witch-hunt was one of the most important events in the development of capitalist society and the formation of the modern proletariat. Being part of the peasantry, the mass execution of witches weakened the resistance of the European peasantry against the gentry and the state. Given the historical context in which the witch-hunt occurred, the gender and class of the accused, and the effects of the persecution, she concludes that “witch-hunting in Europe was an attack on women’s resistance to the spread of capitalist relations and the power that women had gained by virtue of their sexuality, their control over reproduction, and their ability to heal.”²⁰ This also led to the creation of “a new patriarchal order where women’s bodies, their labor, their sexual and reproductive powers were placed under the control of the state and transformed into economic resources.”²¹

¹⁸Federici, *Caliban and*, 97.

¹⁹Federici, *Caliban and*, 97.

²⁰Federici, *Caliban and*, 170.

²¹Federici, *Caliban and*, 170.

Arruzza, Bhattacharya and Fraser²² distinguish between two brands of feminism: “liberal feminism” and “feminism for the 99 percent.” Liberal or corporate feminism which believes in attaining gender equality through “lean in” at the company boardroom and “cracking the glass ceiling” is dubbed as the feminism of the 1 percent. This conforms to the existing economic and social order having links with elitism and individualism. The authors reject liberal feminism with a powerful imagery: “We have no interest in breaking the glass ceiling while leaving the vast majority to clean up the shards.”²³ They are, instead, for confronting the present capitalist system which is thought to be instrumental for the ushering-in of gender inequality by stating: “Far from celebrating women CEOs who occupy corner offices, we want to get rid of CEOs and corner offices.”²⁴

Feminism for the 99 percent caters to the cause inclusive of the many poor and working class women, of racialized and migrant women, of queer, trans, and disabled women. Furthermore, this brand of feminism takes up the needs and rights of all who are exploited, dominated, and oppressed among the whole of humanity thus justifying its name of a feminism for the 99 percent.

Arruzza etc. state that gender oppression is hardwired into the very structure of capitalism. This is so because in capitalist societies social reproduction is subordinated to production for profit. Social reproduction is the complex task of “making of people” which involves not only the production and sustenance of human life in the biological sense, but also the creation and sustenance of what Marx called the “labor power.” The latter means inculcating in people the

²²Cinzia Arruzza, Cinzia, Tithi Bhattacharya, and Nancy Fraser, 2019: *Feminism for the 99%. A Manifesto* (London, New York: Verso, 2019).

²³Arruzza et al., *Feminism for the 99%*, 13.

²⁴Arruzza et al., *Feminism for the 99%*, 13.

right attitudes, dispositions and values – abilities, competences, and skills.²⁵ The authors illustrate the real significance of social reproduction by citing the case of Luo, a Taiwanese mother who got US\$967,000 through the Supreme Court order in 2017 from her son, who refused to look after her in her old age, as his “upbringing” cost. The authors point out that under capitalism, the huge amounts of time and resources needed to “birth, care for, and maintain” human beings are hidden and ignored; much of the burden of social reproduction is borne by women; and the society accords no value to this work even while depends heavily on it.²⁶

Arruzza, etc. bring out clearly the sharp contradiction between “profit making” and “people making” imperatives in the capitalist system. Capitalists require social reproduction to produce and replenish “labor power” and in order to secure adequate supplies of it at the least cost, they offload the work of social reproduction onto women, communities and states in such a way as to maximize their profits. The authors state: “the capitalist institution of wage labor conceals something more than surplus value. It also conceals its birthmarks – the labor of social reproduction that is its condition of possibility.”²⁷

3.4 Crisis of Social Reproduction

Arruzza etc. state that social reproduction is in a state of major crisis today. The situation is that the “neoliberal form of capitalism is systematically depleting our collective and individual capacities to regenerate human beings and to sustain social bonds.”²⁸ Although neoliberalism recruits women in large numbers into the workforce across the globe, it has not been

²⁵Arruzza et al., *Feminism for the 99%*, 21.

²⁶Arruzza et al., *Feminism for the 99%*, 68.

²⁷Arruzza et al., *Feminism for the 99%*, 70.

²⁸ Arruzza et al., *Feminism for the 99%*, 73.

emancipatory for women but rather “a system of intensified exploitation and expropriation” and “also an engine of acute reproductive crisis.”²⁹ This has led to the vast majority of women doing low-paid precarious work outside home while requiring to work “the second shift” at home. Compared with the postwar period, “the number of hours of waged work per household has skyrocketed, cutting deep into the time available to replenish ourselves, care for our families and friends, and maintain our homes and communities.”³⁰ The entry of women into the workforce has increased dramatically since the 1970s in Western Europe, Japan, and the U.S. Women now constitute 46 percent of the U.S. labor force. Three-quarters of mothers of children eighteen and under and nearly two-thirds of mothers of children age one and below now do paid work in the U.S.³¹ With women in western countries increasingly taking on paid work, they offload care-work on to other paid domestics and caretakers who are mostly drawn from immigrants coming from poor countries. But that leaves behind the problem of the low-paid care-worker struggling to meet her own domestic and familial responsibilities by transferring them to her relatives or other poorer women.

3.5 Ecology and Capitalism

Scientists have defined nine “planetary boundaries” beyond which the safety of humanity on earth becomes problematic. Of these nine, we have already crossed three of them, namely, climate change, the nitrogen cycle, and biodiversity loss. This “ecological rift” between human beings and the earth has been attributed to the capitalist mode of growth that began with the

²⁹ Arruzza et al., *Feminism for the 99%*, 74.

³⁰ Arruzza et al., *Feminism for the 99%*, 75.

³¹ Barbara Ehrenreich and Arlie Russell Hochschild. *Global Woman: Nannies, Maids, and Sex Workers in the New Economy* (New York: Henry Holt and Company, 2003), 8.

Industrial Revolution of the late 18th century. The issue as described by Foster, Clark and York³² is “an expanding economic system is placing additional burden on a fixed earth system to the point of planetary overload.” The planetary overload currently estimated to be about 30 percent, is projected on a business-as-usual basis to rise to almost 100 percent by the mid-2030s requiring two planets to sustain humanity by then.

The inner logic of the capitalist system is expansion and it does not recognize any physical barriers in that process as long as there are profits to be made. It does not believe in the notion of ‘enough’ and must keep on increasing in scale and intensity. Thus capital is “a *juggernaut*, an unstoppable, crushing force.”³³ The authors also point out that orthodox or neoclassical economists, who are mainly concerned with the working of the capitalist system, have underplayed the ecological issues. They have suggested technological innovation, that is, the development and management of green technologies as the way forward to meet the ecological challenges.

Although new technologies help reduce the environmental impact per unit of production, this gain is offset by the scale effects of economic expansion, a phenomenon called the “Jevons Paradox.”³⁴ Thus for example, although the energy expended per dollar of GDP in the U.S. decreased by 50 percent since 1975, the overall consumption of energy by the U.S. has risen by about 40 percent.

The authors argue that the new technologies are adopted not on the basis of their contribution to a sustainable environment but on profit considerations of corporations. They

³²John Bellamy Foster, Brett Clark, and Richard York, *The Ecological Rift: Capitalism's War on the Earth* (New York: Monthly Review Press, 2010), 17.

³³Foster et al., *The Ecological Rift*, 39.

³⁴Foster et al., *The Ecological Rift*, 43.

state, “the single-minded goal of technological innovation under capitalism is expansion of production, profits, accumulation, and wealth for those at the top, not protection of the environment.”³⁵ They also note that a market solution to environmental problems is not possible as ecological degradation along with inequality and poverty are powerful evidence of “market failure.” Therefore, they also vehemently oppose the “cap and trade” carbon markets as myopic.³⁶ The allocative inefficiency of the market system is revealed in its short-term time horizon which heavily discounts the distant future. “Each generation makes good capitalist decisions, yet the effect is collective social suicide.”³⁷ The authors interestingly depicts the capitalist system as a bubble economy growing by using up environmental resources thereby incurring an enormous ecological debt. Once the economic system approaches the planetary boundaries, the mounting ecological debt would become ever more risky, leading to a looming crash.

The authors also consider the ecological rift as a product of a social rift of the domination of human beings by human beings. This social rift is seen as arising from a society based on class, inequality, and unceasing acquisition. At the global level it is found in a history of imperialist division between center and periphery, North and South, rich and poor countries. Therefore, it is argued that the solution to the ecological problem lies in confronting capitalism, as an imperialist world system.

The fact is that such a confrontation has already begun in the global South in Bolivia where in 2000, after a series of water wars against privatization of water, the new socialist and

³⁵ Foster et al., *The Ecological Rift*, 44.

³⁶ Foster et al., *The Ecological Rift*, 116-117.

³⁷ Foster et al., *The Ecological Rift*, 45.

indigenous president Evo Morales proclaimed that water must be provided for free and cannot be run by private business. On the tenth anniversary of this victory, in April 2010, Bolivia under the leadership of Morales released *The People's Agreement on Climate Change and the Rights of Mother Earth*³⁸ which presented the issue in these words, "Humanity confronts a great dilemma: to continue on the path of capitalism, depredation, and death, or to choose the path of harmony with nature and respect for life." Among other things, it demanded a 50 percent reduction in the greenhouse gas emissions of rich countries in the 2010s from the 1990s, and to set apart 6 percent of their GDP to helping the poorer countries adapt to climate change.

The authors find the only possible solution to the contradiction between ecology and the dominant economic system is an ecological and social revolution that will rid us of the narrow profit system and replace it with a sustainable and just society. For that purpose, they go to the extent of recommending socialism as an alternative to capitalism.³⁹

3.6 Economic Inequality and Capitalism

Economic inequality has been a major feature of the capitalist system. Thomas Piketty's celebrated book *Capital in the Twenty First Century* published in 2013 was focussed on the high and rising inequality in the present-day developed countries. His new book *Capital and Ideology* published last year extends the study to some large developing countries such as China, India, Brazil and South Africa. There he has shown that inequality has increased in all regions of the world since the 1980s after a successful period of its decline in the previous three decades. Piketty gives the statistics on income inequality for five regions: India, the United States, Russia, China and Europe. The share of the top decile in these regions which had been between 25 and

³⁸"World People's Conference on Climate Change and the Rights of Mother Earth: People's Agreement," *People's Agreement of Cochabamba*, April 22, 2010, Cochabamba/Bolivia.

³⁹Foster et al., *The Ecological Rift*, 48-49.

35 percent in 1980 rose to 35-55 percent in 2018. The increase in the share of the top decile has been much more sharp in the U.S. than in Europe and much more in India than in China. This rise in inequality has come at the expense of the bottom 50 percent whose share declined from about 20-25 percent in 1980 to 15-20 percent in 2018. And for the U.S., the share of the bottom 50 percent is as low as 12 percent in 2018. This rising inequality in these regions since 1980 has to be seen in the background of a falling phase in inequality during 1950-1980.

The “elephant curve” formulated by Lakner and Milanovic⁴⁰ is used by Piketty to represent the distribution of global growth during the period 1980-2018 by plotting the cumulative income growth of each decile of the global income distribution.⁴¹ According to it, the bottom 50 percent of the global income distribution had substantial growth in income (60-120 percent) during 1980-2018; the top 1 percent enjoyed even higher growth (80-240 percent); intermediate brackets grew less. In short, inequality decreased between the bottom and the middle income brackets and increased between the middle and the top. Piketty recognises these two diverse inequality aspects at the global level: one, that there has been remarkable growth in certain less developed countries helping to sharply reduce global poverty and inequality and the other, that there has been dramatically increased inequality at the top of the income pyramid arising from what Piketty calls, “the excesses of global hypercapitalism.”⁴² Thus we see that there are two aspects of capitalism, one good and the other bad. And the one bad part of capitalism is that during 1980-2018 the top percentile captured 27 percent of global income growth while the bottom 50 percent just 12 percent⁴³.

⁴⁰C. Lakner and B. Milanovic. “Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession,” *World Bank Economic Review*, 2015.

⁴¹Piketty, *Capital*, 24-25.

⁴²Piketty, *Capital*, 26.

⁴³ Piketty, *Capital*, 26.

The widening of income inequality has been particularly dramatic in the U.S. In 1980 the top 1 percent had a national-income share of 10 percent and the bottom 50 percent of 20 percent. In 2018 the income share of the top 1 percent doubled to 20 percent while that of the bottom 50 percent declined to 12 percent.⁴⁴ In Western Europe the top 1 percent also had a share of 10 percent in 1980, and the bottom 50 percent a higher 24 percent share than the U.S. In 2018, the share of Western Europe's top 1 percent rose by only two percentage points to 12 percent while the share of the bottom 50 percent declined two percentage points to 22 percent.

Inequality in wealth is worse than the inequality in income. Even during the period of reduction of inequality of income the share of wealth going to the bottom 50 percent remained at 5-10 percent or lower for most countries. In the 2010s, the share of private wealth held by the top decile has risen above 70 percent in the US, Europe, India, China and Russia.⁴⁵

At this stage Piketty examines the factors behind the compression of inequalities that occurred during 1914-1970 after very long periods of inequality under different pre-capitalist as well as capitalist regimes. According to him, "legal, social, fiscal changes hastened by two world wars, the Bolshevik Revolution of 1917, and the Great Depression of 1929" contributed to the reduction of inequalities in both Europe and the U.S. An important change among these was the introduction of a system of progressive taxation of income and inherited wealth in a number of countries led by the U.S. In the period 1932-80, the top marginal income-tax rate was about 81 percent in the U.S., 89 percent in the UK compared with 58 percent in Germany and 60 percent in France. Piketty states, "the fact that top marginal rates remained above 80 percent for

⁴⁴Emmanuel Saez and Gabriel Zucman, *The Triumph of Injustice: How the Rich Dodge Taxes and How to Make Them Pay* (New York: W.W. Norton & Company, 2019), 6-7

⁴⁵Piketty, *Capital*, 979.

nearly half a century did not destroy capitalism in the United States - quite the opposite."⁴⁶ The “conservative revolution” which took place in the U.S. and the UK brought down the rate to roughly half at 39 percent and 46 percent respectively by 2018.

Piketty believes that the shift to a less progressive tax system in the 1980s contributed greatly to the huge rise in inequality in both the U.S. and the U.K. between 1980 and 2018. The rise in inequality in turn might have generated disillusion among the middle and lower classes fueling the rise of xenophobia and identity crisis in both countries. The British vote to leave the European Union and the election of Donald Trump in 2016 are the results of rising inequality in these countries, according to Piketty.

Piketty notes the emergence of egalitarian coalitions in mid-twentieth century first at ideological level and later joined by political parties assuming socialist color. The presence of a communist countermodel in the Soviet Union also helped in countries grasping an ambitious redistributive agenda. This also coincided with the speeding up decolonization of European empires and extension of civil rights to blacks in the U.S.

The big question is why after a period of success in reducing inequality, the process got stalled and reversed. Piketty admits the difficulty of a straight answer here and gives a general argument that “the egalitarian social-democratic coalition of the post-war era proved incapable of revising and renewing its program and ideology.”⁴⁷ Thus according to Piketty, “the ideological failures of the egalitarian coalition” resulted in the rise of inequality since 1980.

⁴⁶Piketty, *Capital*, 31.

⁴⁷Piketty, *Capital*, 40.

4. Socialism

In the last section we described the major ill effects of capitalism. We have seen how capitalism underlies the evils of racism, gender inequality, environmental degradation, and economic inequality. Most of the thinkers we considered above have advocated that capitalism - being the root cause of these evils - has to be transcended and replaced by a different system and that different system is called socialism.

Encyclopedia Britannica defines socialism as “a form of government in which most forms of property, including at least the major means of production and natural resources, are owned or controlled by the state.”⁴⁸ The idea behind public ownership or control is for ensuring the responsiveness of production “to the needs and desires of the general population” and equitable distribution of goods and services. According to socialists, capitalism inevitably leads to “unfair and exploitative concentrations of wealth and power in the hands of the relative few who emerge victorious from free-market competition—people who then use their wealth and power to reinforce their dominance in society.”⁴⁹ As a consequence, the promised virtues of *individual freedom* and *equality of opportunity* apply only to a minority and not to others particularly those belonging to the working class. Socialists argue that true freedom and equality warrants social control of the resources that underlie growth and prosperity in any society.

4.1 Origins of Socialism

Although socialism as a political movement originated with the Industrial Revolution and was influenced by Karl Marx, its intellectual routes can be traced back to ancient times “even as

⁴⁸Terence Ball and Richard Dagger, "Socialism," *Encyclopedia Britannica*, 30 Apr. 2020, <https://www.britannica.com/topic/socialism>.

⁴⁹Ball and Dagger, “Socialism,” *Encyclopedia Britannica*.

far as Moses.”⁵⁰ The concepts of sharing and equality are depicted in the “Manna Story” where the LORD provided food to the Israelites when they passed through wilderness on their way to the promised land (Ex 16).

The Bible is replete with socialist ideas. *The Old Testament* contains the prescriptions for the Sabbath Day, the Sabbath Year and the Jubilee Year. The purpose of the Sabbath Day is to take rest from work one day of every week. Like the Sabbath Day, the purpose of the Sabbath Year, coming in every seven years, is to allow for the laborers and animals to take rest without being deprived of food, and in addition, the land also is provided rest for restoring its fertility. The Sabbath Year is also the year of debt forgiveness and freedom to slaves. As Kinsler and Kinsler stated, the cancellation of debts and freeing of slaves every seventh year are meant to halt the “socioeconomic marginalization and impoverishment” that could occur in the normal process of development.⁵¹ The Jubilee Year mandate stipulates recovery and return to land for all families every fiftieth year. And the basis for this mandate is, “The land shall not be sold in perpetuity for the land is mine; with me you are but aliens and tenants” (Leviticus 25:23).

The lamentations of prophets point towards the structural aspects of injustice in society. Psalm 10 talks about the wicked persecuting the poor in arrogance. And Psalm 85 shows the yearning for the ideal world where: “Steadfast love and faithfulness will meet; righteousness and peace will kiss each other. Faithfulness will spring up from the ground and righteousness will look down from the sky” (Psalm 85:10-11).

⁵⁰Ball and Dagger, “Socialism,” *Encyclopedia Britannica*.

⁵¹Ross Kinsler and Gloria Kinsler, *The Biblical Jubilee and the Struggle for Life* (Maryknoll, NY: Orbis Books, 2000), 14.

The connection to socialism in the *New Testament* is detected from its reference to Sabbath and Jubilee Year which is called “the year of the Lord’s favor.”⁵² In Matthew 23:23 Jesus chastises scribes and Pharisees for neglecting “weightier matters of law: justice and mercy and faith.” Also the inheritance of God’s kingdom is linked to feeding the hungry and thirsty, clothing the naked, taking care of the sick, visiting the imprisoned, and welcoming the stranger (Matt 25:31-46).

Jesus’s ministry is summarized as “teaching in their synagogues and proclaiming the good news of the kingdom and curing every disease and every sickness among the people...and they brought to him all the sick, those who were afflicted with various diseases and pains, demoniacs, epileptics, and paralytics, and he cured them” (Matt 4:23-24). In the Sermon on the Mount, Jesus declares the Beatitudes for the poor in spirit, those who mourn, the meek, those who hunger and thirst for righteousness, the merciful, the pure in heart, the peacemakers, and those who are persecuted for justice’s sake (Matt 5:3-10).

The early Christians lived as a community, sharing all possessions with no private ownership of property (Acts 2:44-47). This, as noted by Wielenga, was meant “to anticipate the expected overcoming of social conflicts and unjust relations.”⁵³ This is tuned with the words of Paul, “There is no longer Jew or Greek, there is no longer slave or free, there is no longer male or female; for all of you are one in Christ Jesus” (Galatians 3:28). Furthermore, the sense of oneness and equality among all was inculcated by Paul’s insistence on a “common table” for food and the collection for the poor in Jerusalem. Also, Christian monastic communities formed

⁵²Kinsler and Kinsler, *The Biblical Jubilee*, 16-17.

⁵³Bastiaan Wielenga, "Justice I: Biblical Tradition," *Historical Critical Dictionary of Marxism (HKWM)*; English in *Historical Materialism*, vol. 13.3, 2005, 338.

during the Roman Empire period which continue even today are examples of early actual socialist societies.

4.2 Liberation Theology

Liberation theology emerged in the late 1960s and the early 1970s in the background of rising social and economic disparities in Central and Latin American countries, and the Catholic Church along with its clergy committing to work for the liberation of the poor in these countries. In the words of Costas, liberation theology has turned out to be a “socio-ecclesial program” to transform an “exploitative and oppressive” society into a “fraternal, just, peaceful and free” one.⁵⁴ Thus liberation theology developed as a reaction to the emergence of different forms of social sin which are instrumental to massive poverty, oppression and large human suffering. Salvation or liberation can be interpreted as the freedom from the negative experiences of ignorance, guilt, sin, suffering and death.⁵⁵ However, this freedom for an individual is necessarily intertwined with that for others as well in this world. This is so because each person exists as a part of society and is involved with others in innumerable social relationships. Hence salvation means both personal and collective at the same time. The actualization of the potential social liberation requires individual participation in the historical process of God’s salvific work. Gustavo Gutierrez, considered as the father of liberation theology, aptly defined salvation as “communion of people with God and among themselves.”⁵⁶ Communion among people means *love of the neighbor*. Social liberation is also contained in Jesus’ preaching of the ‘kingdom of God’ where God’s rule of love and justice prevails.

⁵⁴Orlando E. Costas, *Christ Outside the Gate* (Oregon: Wipf & Stock Publishers, 2005), 128.

⁵⁵Roger Haight, *Jesus Symbol of God* (Maryknoll, New York: Orbis Books, 2001), 354-356.

⁵⁶Gustavo Gutiérrez, *A Theology of Liberation: History, Politics, and Salvation* (Maryknoll, NY: Orbis Books, 1973), 151.

4.3 Karl Marx and Socialism

Karl Max envisaged socialism as a transitional state between the overthrow of capitalism and the realization of Communism. Two prominent cases of shift to socialism took place, the first in the Soviet Union with the Russian Bolshevik Revolution of 1917 and the second in China with the victory of the Chinese Communist Party at the end of a civil war in 1949.⁵⁷ However, in both these countries, the overthrow of capitalism did not lead to genuine socialism. Instead, these socialist experiments of the 20th century, while being driven by a true interest in improving the life of the common people, resulted only in “untold suffering in terms of economic deprivation and political tyranny.”⁵⁸

Most importantly, socialism has a weak production impulse. In the former Soviet Union, the function of the market was taken over by a centralized planning agency called *Gosplan* which decided wages, prices, production and distribution of all goods and services in the economy. Over time it was realized that this task is impossible for the bureaucracy to undertake leading to economic paralysis and social chaos. Politically the situation turned explosive and finally Soviet Union broke up in the early 1990s.

China, which attempted to transition to socialism at heavy human costs, suffered collapse in production which made the government shift in the late 1970s to a capitalist mode, which they call “Socialist Market economy with Chinese characteristics.” China carried out a series of

⁵⁷There were a number of pre-Marx socialist experiments, but most of them were done at small community levels and not at large country levels. A concise account of socialist ideas and practices before Marx can be found in Ball, Terence Ball and Richard Dagger, "Socialism," *Encyclopedia Britannica*, 30 Apr. 2020, <https://www.britannica.com/topic/socialism>.

⁵⁸Robert L. Heilbroner and Peter J. Boettke, "Economic system," *Encyclopedia Britannica*, 23 Oct. 2020, <https://www.britannica.com/topic/economic-system>.

economic reforms leading increasingly to private ownership of enterprises and market competition.

5. Growth Vs Degrowth Debate

A major feature of the capitalist system is its emphasis on “economic growth” as the root to prosperity. In fact, as we have seen earlier, the “growth imperative” is the very logic of capitalism. This idea of growth was questioned in the 1970s on ecological grounds by the Club of Rome’s *The Limits to Growth Report*⁵⁹ and some prominent thinkers such as Andre Gorz and Nicholas Georgescu-Rogen. In the new century starting in 2000, the opposition to economic growth has come from what is now called the “degrowth” thinkers and the grounds for the critique has widened from the destruction of the ecosystem to social justice and wellbeing. I examine the arguments and substance of this debate below.

5.1 The Arguments for Growth

Barbara Muraca⁶⁰, a prominent degrowth scholar, drawing from Holzinger⁶¹ summarises six arguments for economic growth as follows:

1. Under the assumption of individual utility maximization, economic growth by making available an increasing amount of goods and services enhances the standard of living and quality of life of individuals in society. Economic growth also augments personal wealth which gives freedom to individuals in shaping one’s own life independently without being constrained by the community of one’s origin.

⁵⁹Donella H. Meadows and others. *The Limits to Growth: A Report for the Club of Rome’s Project on the Predicament of Mankind* (New York: Universe Books,1972).

⁶⁰Barbara Muraca, “Towards a fair degrowth-society: Justice and the right to ‘good life’ beyond growth,” *Futures* 44 (2012), 540.

⁶¹H. Holzinger, “Zukunfts Dossier Wirtschaft jenseits von Wachstum? Bundesministerium für Land- und Forstwirtschaft, Umwelt und,” *Wasserwirtschaft* (Lebensministerium), Vienna (2010).

2. Economic growth by increasing the total size of the cake, makes distribution policies less unpopular in a democratic welfare state. In addition, growth boosts government revenues enabling the state to undertake public services and welfare measures.
3. Economic growth increases the wellbeing of all persons reminding of the saying, ‘a rising tide lifts all boats.’ There is a virtuous cycle of the ‘Kuznets Curve,’ which states that economic inequality increases over time only up to a certain threshold as the country is developing, after which inequality starts decreasing with the continuance of growth.
4. Economic growth leads to employment and with labor productivity rising, increased employment requires economic growth to rise faster than the rise in labour productivity.
5. Advocates of growth also talk about an ‘Environmental Kuznets Curve’ whereby the detrimental impact of growth on natural resources and carbon sinks occurs up to a certain threshold after which as the economy continues to grow the impact on the environment decreases. Besides, by driving investment in technology, economic growth enables a significant improvement in resource productivity and pollution control.
6. Economic growth while raising living standards also fosters the perspective of continuing prosperity. This, according to Friedman, has a positive influence on one’s moral attitudes in terms of tolerance of diversity, social mobility, commitment to fairness, and dedication to democracy.⁶² Specifically, there is an impact of economic growth on social mobility as rising economically leads to rising socially.

5.2 The Arguments for Degrowth

As against the above, a group of scholars are talking of a radically different alternative to modern growth-based development.⁶³ This alternative vision is called “degrowth” which is defined as “an equitable downscaling of production and consumption that increases human well-being and enhances ecological conditions at the local and global level, in the short and long

⁶²B. Friedman, *The Moral Consequences of Economic Growth* (New York:Vintage Books, 2005).

⁶³An updated comprehensive review of the origins and development of the degrowth debate can be seen in Giorgos Kallis et al., “Research on Degrowth,” *Annual Review of Environment and Resources* 43 (2018), 291-316.

term.”⁶⁴ As a critique of economic growth, degrowth “challenges the hegemony of growth and calls for a democratically-led redistributive downscaling of production and consumption in industrialized countries as a means to achieve environmental sustainability, social justice and wellbeing.”⁶⁵

Against the backdrop of the claims of growth advocates, Muraca⁶⁶ sums up some core elements of the degrowth critique below.

1. Several studies have invalidated the ‘trickle down’ phenomenon that an overall growth will automatically benefit the less well-off sections of society. In contrast, an exponential growth means increasing inequalities leading to an increasing gap between the rich and the poor unless there is a redistribution policy effectively implemented by the government. Hence the relation between growth and inequality as depicted in the Kuznets Curve is not automatic but policy determined.
2. Similarly, studies have shown that there is no generalized virtuous Environmental Kuznets Curve. Wherever it is found it is due to special cases like the transfer of highly polluting production sectors in rich countries to poor countries having lower environmental standards. Degrowth thinkers attribute the excessive exploitation of natural resources and sinks far beyond the regeneration capacity of the ecosystems to the undue emphasis on growth, which they call, the ‘growth fetishism.’ Despite technological advances raising resource productivity (i.e., reduction in use per unit of output), exponential growth has led to significant increase in the total consumption of resources.
3. Degrowth advocates also point out the denial of justice associated with the growth-driven destruction of the environment: it affects the fundamental living conditions and livelihoods of an increasing number of people particularly in poor countries. Moreover,

⁶⁴F. Schneider, G. Kallis, and J. Martinez-Alier, “Crisis or opportunity? Economic degrowth for social equity and ecological sustainability,” Introduction to this special issue, *Journal of Cleaner Production* 18.6 (2010), 512.

⁶⁵F. Demaria, F. Schneider, F. Sekulova, and J. Martinez-Alier, “What is degrowth? From an activist slogan to a social movement,” *Environmental Values* 22.2 (2013), 209.

⁶⁶Muraca, “Towards a fair degrowth-society,” 540-542.

the increasing need for new resources and sinks generates geopolitical domination and economic dependency in the form of production of biomass for the global North and neo-colonialist land grabs.

4. Some degrowth scholars radically rule out growth as feasible and desirable even for poor countries on the plea that growth emanated historically from the very condition of exploitation of other human lives (e.g., through slavery, gender bias, and dispossession of peasantry) and of nature (e.g., land in colonies, and excessive extraction of natural resources). Furthermore, the continued destitution of the countries of the global South is attributed to the growth logic as these countries are made fully dependent on the global North economically and culturally.
5. Degrowth thinkers not only contest growth's role in promoting distributive justice but also its role in promoting happiness and good life. Rossa and Henning note that both *subjective* happiness and *objective* quality of life “decouple from economic growth after a certain threshold” in modern societies.⁶⁷ They say that because of ‘keeping up with the Joneses’ (i.e., the constant positional competition), “steady struggle for an improvement is ‘trapped’ on treadmills of happiness which foster constant dissatisfaction.” Also, modern time-saving techniques lead to an intensification of the workload rather than saving time for leisurely activities.

5.3 Critique of Degrowth

I think one of the most important arguments against degrowth is that a degrowth regime will entail huge unemployment. Degrowth thinkers appear to suggest reducing work hours as a solution to unemployment in a degrowth scenario.⁶⁸ This does not seem practicable as reduction in working hours in a degrowth economy can accelerate the output decline hurting all concerned. Mauraca observes, “The access to gainful work is considered as a very important

⁶⁷Hartmut Rosa and Christoph Henning, “Goodlife beyond growth: An introduction,” *The Good Life beyond Growth: New Perspectives*, eds. Hartmut Rosa and Christoph Henning (London and New York: Routledge, 2018), 6.

⁶⁸Ulrich Brand, Tobias Boos and Alina Brad, “Degrowth and post-extractivism: Two debates with suggestions for the inclusive development framework,” *Current Opinion in Environmental Sustainability* 24 (2017), 37.

component of quality of life not only in terms of standard of living, but also because it enables recognition, participation and social networks.”⁶⁹

Growth has led to the lifting of millions of people from poverty in the last few decades particularly in the highly populated developing countries such as China and India. The Nobel laureate Joseph Stiglitz⁷⁰ says, “there is ample room to change the quality of growth and significantly reduce its environmental impact without condemning billions of people to lives of deprivation.” He continues, “However misguided the obsession with ever-increasing GDP may be, without economic growth, billions of people will remain without adequate food, housing, clothing, education, and medical care.” Degrowth advocates are cynical about the benefits of growth powered by green technology advances.⁷¹ Now with the certainty of the U.S. rejoining the Paris Agreement, the prospects of limiting global warming to 2 percent centigrade has brightened. Stiglitz firmly believes that the transition to a green economy is highly beneficial as it could spur innovation and prosperity.

Degrowth thinkers have highlighted inequalities arising from economic growth but also notes the possibility of state intervention in moderating them. The capacity of the state to administer redistributive measures is dependent on government revenues. Government revenues are a function of economic growth, further invalidating the degrowth argument.

6. From Exceptionalism to Decadence: The American Case

“American exceptionalism,” a concept that emerged in the early 19th century - in the

⁶⁹ Muraca, “Towards a fair degrowth-society,” 544.

⁷⁰ Joseph E. Stiglitz, “Is Growth Passé?” *Project Syndicate*, December, 2019.

⁷¹ Demaria et al. say, “Degrowth considers ‘sustainable development’ an oxymoron and calls for disentangling from the social imaginary that it entails, and beyond this, it criticises the notion of ‘development’ itself” (196-197).

1830s to be precise⁷² - meant that America is unique and qualitatively superior to other nations. However, in the matter of containing the different ill effects of capitalism, the U.S. has been far behind several other developed countries. Racism originated in the U.S. and despite all the legal provisions against it, racism has persisted in the country in different ways through both overt and covert discrimination. For gender inequality, the U.S. ranks above several West European and other countries. The World Economic Forum's (WEF) brings out the *gender gap index*, a measure of gender equality that takes into account women's access to resources and political empowerment; and in terms of this index the U.S. ranked 51st out of the 149 countries considered in 2018. With regard to ecology, the U.S. is historically the largest emitter of greenhouse gases, and currently the second largest after China. In the case of economic inequality, we have already seen that it is a class apart from Europe. While economic inequality has risen from the 1980s in most of the countries, the rise in the U.S. has been one of the sharpest.

The Nobel laureate Joseph Stiglitz has written extensively about the American inequality. In his recent book he says that the U.S. “has greater income inequality than any other advanced country; in terms of inequality of opportunity it also ranks well toward the bottom...this is contrary to America’s identity as the land of opportunity.”⁷³ This is dramatically revealed by the fact that over the last four decades, the average income of the bottom 90 percent of the U.S. population has “hardly changed, while that of the top 1 percent has soared.”⁷⁴ Furthermore, if we

⁷² The term was first used by the French writer, Alexis de Tocqueville, during his first visit to America in 1831 as he noticed that the idea of American nationality was different in the sense that it was based less on common history or ethnicity than on common beliefs (https://www.newworldencyclopedia.org/entry/american_exceptionalism).

⁷³ Joseph E. Stiglitz, *People, Power, and Profits: Progressive Capitalism for an Age of Discontent* (London and New York: W.W. Norton & Company, 2019), 37.

⁷⁴ Stiglitz, *People, Power, and Profits*, 33.

take the share of labor income excluding the top 1 percent of workers, that has been declining very steeply from 75 percent in 1980 to 60 percent in 2010. In contrast, the share of the top 1 percent more than doubled, and the share of the top 0.1 percent rose nearly fourfold over the past forty years.⁷⁵ Real wages also stagnated during this period despite the increase in labor productivity unlike the period before 1980 when real wages had been rising *pari passu* with the rise in productivity. Among workers as well, there have been large wage disparities with stagnant or falling wages at the bottom and middle levels, and rapidly rising wages at the top level.

The sharp income inequalities described above is very much related to inequalities in terms of race and gender in American society. Data show that wages for black and Hispanic men are only 73 percent and 69 percent respectively those of white men; and wages for women are only 83 percent those of men.⁷⁶ There are several other dimensions of American inequality such as those based on health, wealth and above all, opportunity. Stiglitz notes that inequalities in each of these are even greater than those in income.

Inequalities in health are reflected not only in lower life expectancy for Americans compared to most other advanced countries, but also in huge disparities in life expectancy between rich and poor Americans. Wealth inequality in the U.S. is particularly striking with the top 1 percent having more than 40 percent of the country's wealth.⁷⁷ This is much worse than the income inequality where the top 1 percent of the U.S. population now have a share of more than 20 percent.⁷⁸ On inequality of opportunity, Stiglitz says, "The American dream of equality of

⁷⁵Stiglitz, *People, Power, and Profits*, 38-39.

⁷⁶Stiglitz, *People, Power, and Profits*, 41.

⁷⁷Stiglitz, *People, Power, and Profits*, 43.

⁷⁸Heather Boushey, "How to Make America More Equal," *Finance & Development* (December 2020), 33.

opportunity is a myth: a young American's life prospects are more dependent on the income and education of his parents than in almost any other advanced country."⁷⁹ This is not only morally reprehensible but also indicates that many are unable to live up to their potential leading to huge wastage of human talents.

6.1 The Path toward the Present State

We have seen above that how capitalism, while bringing unprecedented economic and social progress since the Industrial Revolution of the late 18th century, has brought in its train economic and social inequality, racial and gender discrimination and ecological damage to earth. However, for a period of two and a half decades since World War II, the economic progress achieved through capitalism was well distributed through the welfare initiatives of different governments, including those of the U.S. government. This could have been still better but for the race and gender based discriminatory labor-market and other policies in the U.S.⁸⁰ However, by the mid-1970s, western countries were in the grip of what is called "stagflation," a combination of economic stagnation and high inflation (see Table 1). Capitalism took the form of "neoliberalism" in order to tackle the economic crisis.

Inspired by "Keynesianism," western governments deployed expansionary monetary and fiscal policies to boost their economies in the decades following World War II. While the war-torn Europe and the U.S. recovered remarkably, by the mid-1970s the economies lost momentum and were ripped by inflation and low growth. A group of economists blamed it on excessive government intervention in the economies of countries in the form of "command-and-control" policies of traditional socialism. Elections were won on the slogan of

⁷⁹Stiglitz, *People, Power, and Profits*, 44.

⁸⁰Stiglitz, *People, Power, and Profits*, 13.

Table 1: Selected Economic Indicators: U.S. and Europe (1961-2019)

Country Name	Series Name	1961-73	1974-82	1983-07	2008-19
France	GDP growth (annual %)	5.7	2.6	2.2	0.9
	Inflation, consumer prices (annual %)	4.5	11.5	2.7	1.2
	Fiscal deficit (% of GDP)	1.5	-0.3	-2.8	-4.1
Germany	GDP growth (annual %)	4.1	1.9	2.1	1.2
	Inflation, consumer prices (annual %)	3.4	5.0	2.0	1.4
	Fiscal deficit (% of GDP)	1.2	-1.5	-1.5	-0.1
Euro area	GDP growth (annual %)	5.7	2.3	2.4	0.8
	Inflation, consumer prices (annual %)	3.9	10.8	3.5	1.5
	Fiscal deficit (% of GDP)	0.6	-2.2	-2.8	-2.4
Sweden	GDP growth (annual %)	4.2	1.6	2.5	1.7
	Inflation, consumer prices (annual %)	4.7	10.3	3.6	1.2
	Fiscal deficit (% of GDP)	3.4	-0.8	-1.3	0.4
	Broad money growth (annual %)	9.2	11.5	7.3	5.1
U.K.	GDP growth (annual %)	3.6	0.9	2.9	1.2
	Inflation, consumer prices (annual %)	5.1	14.8	3.3	2.2
	Fiscal deficit (% of GDP)	0.2	-2.9	-2.1	-5.2
	Broad money growth (annual %)	9.6	13.9	14.1	3.4
U.S.	GDP growth (annual %)	4.3	2.0	3.4	1.7
	Inflation, consumer prices (annual %)	3.2	9.0	3.1	1.8
	Fiscal deficit (% of GDP)	-1.2	-1.9	-2.5	-5.8
	Broad money growth (annual %)	9.1	10.5	6.4	4.7

Source: World Development Indicators, World Bank Database, February 2021.

“minimum government and maximum growth” starting with Margaret Thatcher in the U.K in 1979 and Ronald Reagan in the U.S. in 1980. Since the 1980s, we see governments leaving

economic activities to be fully determined by markets, withdrawing from the welfare state functions, deregulating the financial markets, and reducing taxes - all meant to incentivize the private sector to invest and expand production. As can be seen in Table 1, neoliberal policies could boost economic growth to some extent - in the U.S. economy grew from 2 percent per annum during 1974-82 to 3.4 percent during 1983-07 - but below the levels of the previous period for example, 4.3 percent in the U.S. during 1961-73. And the period following the financial crisis in 2008-09, economic growth slumped in most of the western countries including the U.S. to even below the levels of the stagflation period of 1974-82. On the other hand, the fruits of whatever little economic growth achieved have completely gone to a microscopic minority of hardly one percent of the population leading to unprecedented levels of economic inequality. As we have seen earlier, inequality levels reached in advanced countries have been the worst in the case of the U.S.

6.2 The Growth-Inequality Equation

It would be pertinent to ask: Why has the neoliberal inegalitarian economic growth since the 1980s been much lower than the egalitarian growth of the immediate post-war period? We discussed earlier about the 'Kuznets Curve', which states that economic inequality initially increases as a country moves from low income to middle income status, but then declines after a threshold level of income. This is now proved wrong by the rising inequality since the 1980s in the U.S. On the other hand, a lot of new research has been done recently on the effect of inequality on economic growth. In a review of this academic work, Heather Boushey and Carter Price state, "As new data become available and better analysis methods are applied...studies that look at the longer-term effects find that inequality adversely affects growth."⁸¹

⁸¹Heather Boushey and Carter C. Price, "How are Economic Inequality and Growth Connected? A Review of Recent Research," *Washington Center for Equitable Growth*, October 2014, 19.

Carrying forward the above research, Jonathan Ostry, Prakash Lougani, and Andrew Berg⁸² examine the impact of income inequality, as measured by the Gini coefficient⁸³ on the duration of “growth spells” i.e., how inequality affects negatively the sustainability of economic growth. The study was conducted for a large sample of both developed and developing countries over the last half century and also taking into account the impact of other possible factors on growth such as trade openness, political institutions, foreign direct investment, exchange rate competitiveness and external debt. The authors find inequality “a more robust predictor of growth duration than many variables widely understood to be central to growth....Many factors increase the duration of growth spells but a more equal income distribution is one of the more important factors.”⁸⁴ Further, they estimate that a “10-percentage-point decrease in inequality.... increases the expected length of a growth spell by 50 percent.”⁸⁵

The channels through which income inequality harms the sustainability of economic growth are not well understood. It has been noted by some analysts that inequality generates social and political conflicts leading to uncertainty which is uncongenial for investment and growth. Some others point out the lack of access to good education and quality health care for the poor in unequal countries making the labor less productive and thereby affecting economic growth. Beyond these channels, we can also think of inequality reducing the demand for goods and services from the low and middle income people constraining growth as the affluent save a

⁸²Jonathan D. Ostry, Prakash Lougani, and Andrew Berg, *Confronting Inequality: How Societies Can Choose Inclusive Growth* (New York: Columbia University Press, 2019).

⁸³The Gini index measures the extent to which the distribution of income among individuals/ households within a country deviates from a perfectly equal distribution. The measure varies from zero (perfectly equal distribution) and 100 (perfectly unequal distribution).

⁸⁴Ostry, Lougani, and Berg, *Confronting Inequality*, 32-33.

⁸⁵Ostry, Lougani, and Berg, *Confronting Inequality*, 32.

large part of their income. More importantly, we have seen earlier in the U.S. context that there has been a “cheapening of the labor” since 1980 as real wages stagnated despite the rise in productivity. A number of factors are responsible for this. Generally, the bargaining power of labor vis-à-vis management has come down in the U.S. as the economic concentration increased with a few corporations now dominating entire sectors of the American economy.⁸⁶ Globalization and trade competition along with technological changes have aided this process.⁸⁷

At this stage we should go back to our discussion of the origins of racism, sexism, and ecological damage. They are all tied to capitalism in its search for profits by exploiting or cheapening the labor. Ultimately, they all added to economic inequality which is now seen as hurting growth and thereby harming the pursuit of profits of the rich class. Sustained long-term growth now requires the removal of all forms of inequality in the American society.

6.3 The Role of Government

The rising economic inequality in the U.S. has set in motion a downward spiral of an ever-increasing inequality. As explained by Stiglitz, with concentration of wealth and power in a few hands, there occurs what is called the “political capture” through which the wealthy few influence the state into policy directions to perpetuate their own interests at the expense of the rest of society and thereby further worsening inequality.⁸⁸ Neoliberalism’s case for unfettered markets to deliver sustained growth and wellbeing delivered neither growth nor wellbeing but large inequalities which themselves undercut long-term growth and wellbeing in the U.S.

⁸⁶Stiglitz, *People, Power and Politics*, 49.

⁸⁷The stagnation of real wages in the U.S. since the beginning of the 1980s and the various factors leading to it are extensively dealt with in Stiglitz, *People, Power and Politics*, 47-100.

⁸⁸Stiglitz, *People, Power and Politics*, 5, 149 and 167-178.

Therefore, we need to redefine the role of government to include the regulation and guidance of markets in such a way as to reduce large inequalities.

Economists distinguish between two types of egalitarian policies: first, *predistribution policies* and second, *redistribution policies*. The former is aimed to avoid the occurrence of extreme inequalities in the first place like providing equal access to education and healthcare generating equality of opportunity for all. The latter redistributes through taxes and transfers with a view to reduce inequalities.

Table 2 gives a synoptic picture of the government revenue and total expenditure as well as the government expenditure on health and education in the U.S. and Europe. We find that the U.S. revenue, total expenditure, and spending on both health and education - all as a proportion of GDP - have been lower than those in countries of Europe. This clearly shows that the U.S. government has been taking a more subdued pre-distributive and redistributive role than the European governments despite the faster rise in inequalities in the U.S. than in Europe.

The failure of the U.S. government particularly in its redistributive role comes out clearly in the present U.S. tax system which is a skewed one, biased against the low-income class. Emmanuel Saez and Gabriel Zucman are two French economists who have done pioneering research on the rise of inequality and its intersections with tax policy. They state:

Even as their (of the rich) income boomed, as they reaped the rewards from globalization, and their wealth skyrocketed to previously unseen heights, the most fortunate Americans have their tax rates fall. Meanwhile for the working class, wages stagnated, work conditions deteriorated, debts ballooned, and taxes rose. Since 1980 the tax system has rewards from economic growth.⁸⁹

⁸⁹Emmanuel Saez and Gabriel Zucman, *The Triumph of Injustice: How the Rich Dodge Taxes and How to Make Them Pay* (New York: W.W. Norton & Company, 2019), ix.

Table 2: Government Revenue and Expenditure: U.S. and Europe (1980-2019)			
Country Name	Series Name (% of GDP)	1980-07	2008-19
France	General government revenue	49.1	52.1
	General government total expenditure	52.1	56.4
	Domestic general government health expenditure	7.3	8.1
	General government expenditure on education	5.0	5.5
Germany	General government revenue	44.8	45.1
	General government total expenditure	47.8	45.2
	Domestic general government health expenditure	7.8	8.4
	General government expenditure on education	4.4	4.9
Euro area	General government revenue	45.3	45.8
	General government total expenditure	48.6	48.6
	Domestic general government health expenditure	6.7	7.4
	General government expenditure on education	4.9	5.2
Sweden	General government revenue	56.4	49.3
	General government total expenditure	57.9	49.2
	Domestic general government health expenditure	6.6	8.5
	General government expenditure on education	6.4	7.1
U.K.	General government revenue	34.7	35.9
	General government total expenditure	37.1	41.4
	Domestic general government health expenditure	6.5	8.0
	General government expenditure on education	4.6	5.4
U.S.	General government revenue	30.7	30.1
	General government total expenditure	33.8	36.9
	Domestic general government health expenditure	6.4	8.1
	General government expenditure on education	n.a.	4.9

*Source: 1. World Development Indicators, World Bank Database, February 2021;
2. World Economic Outlook Database, I.M.F., October 2020.*

The authors computed the effective tax rates divided over 15 income groups for 2018 and found that “the U.S. tax system is a giant flat tax – except at the top where it is regressive.”⁹⁰ Therefore, the view that American tax system is progressive is wrong. Each income group pays between 25 and 30 percent of its income in taxes into the public exchequer, except the ultra-wealthy (top 400 persons) who pay only about 20 percent. Thus they say, “the Trumps, the Zuckerbergs, and the Buffetts of this world pay lower tax rates than teachers and secretaries.”⁹¹

7. Reform Proposals

We have covered sufficient ground above to understand the deep-seated issues and painful difficulties arising from a pure capitalist mode of development that the U.S. in particular and many other countries, in varying degrees, have been following. Although the unprecedented financial crisis of 2008-09 showed the unsustainability of free-market capitalism, the U.S. under the Trump administration followed a more distorted model which combined strangely capitalism with the much maligned mercantilism with disastrous results. The last four years of the Trump presidency was marked by sharpening of the national divide along racial and gender lines, stoppage of environmental protection and threat to democratic norms. While America and the rest of the world have heaved a sigh of great relief at the news of the electoral defeat of Trump, the new Biden administration is facing an extremely daunting task in healing a much wounded nation.

Ever since the American financial meltdown of the late 2000s which affected the whole world, several proposals have been put forward by eminent thinkers to transform the structure

⁹⁰Saez and Zuchman, *The Triumph of Injustice*, 14.

⁹¹Saez and Zuchman, *The Triumph of Injustice*, 14.

within nations so as to free them from the disastrous consequences of the extant capitalist model.

We examine the ideas of some prominent scholars below.

7.1 Progressive Capitalism

David Sainsbury is a British politician, businessman and philanthropist who served in the British government as Minister for Science and Innovation during 1998-2006. He specifically points out the vast income disparity in the U.S. during the neo-liberalist period as arising from the high executive pay and the growth of the financial sector. The average CEO pay of a large American company in 1965 was about twenty-four times the salary of a typical worker and by 2007 that went up to three hundred times. It is also seen that between 1975 and 2007, the share of the financial sector wages and salaries almost doubled in national earnings. He also points out that the inequality situation in the U.S. is further worsened by the dramatic fall in the tax rates on the rich; the tax rates of the top 1 percent are a third lower now than those in 1970 despite them being much richer now than then.

Sainsbury recommends “a new progressive form of capitalism which maintains the essential dynamism of capitalism but does not display the flaws that we have seen in recent years.”⁹² This can be done by the state reconstructing its different economic institutions in such a way as to obtain “a fair distribution of wealth as well as economic growth.”⁹³ He lists out four types of economic institutions requiring fundamental overhaul:

- the financial and labor markets;
- the governance and management of firms;
- the national system of innovation; and
- the education and training systems.

⁹²David Sainsbury, *Progressive Capitalism: How to Achieve Economic Growth, Liberty and Social Justice* (London: Biteback Publishing, 2013), 26.

⁹³Sainsbury, *Progressive Capitalism*, 86.

In reforming these institutions, “the role of the state is an enabling or market-supporting one, not the command and control role promoted by traditional socialists or the minimalist role which is the goal of neo-liberals.”⁹⁴

What is the measure of performance of such a system? The author states that the neo-liberals assess the performance of an economy in terms of economic growth and freedom. He quotes Reich who said: “Prosperity for some at the cost of dire poverty for others is morally offensive. Equality at the price of stagnation has no greater political appeal.”⁹⁵ Sainsbury wants his system to measure the performance of economies in terms of economic growth, freedom and social justice.

Sainsbury notes that Capitalism is not a rigid system and is capable of reinventing itself with changing circumstances. He also says that traditional socialism is not a viable alternative as it has produced disastrous results. However, I find that the author has not examined all the aspects of the impact of capitalist mode of production and distribution. Although he has called capitalism a socioeconomic system, he has not considered the pernicious social effects of capitalism such as racism, gender inequality, worker exploitation and ecological damage. Progressive capitalism, according to him, involves reform of only some economic institutions and not any societal changes. He only states that policies can be instituted “to give people more equal life chances and to diminish social inheritance.”⁹⁶ Sainsbury’s proposals do not seem to be comprehensive enough to tackle the multifarious deleterious effects of capitalism.

⁹⁴Sainsbury, *Progressive Capitalism*, 91-92.

⁹⁵Robert B. Reich, “The Democrats’ Promise of Prosperity,” Pages 165-174 in *Democratic blueprints: 40 national leaders chart America's future*, ed. Robert E. Levin (New York: Hippocrene Books, 1988), 165.

⁹⁶Sainsbury, *Progressive Capitalism*, 103.

Stiglitz also talks about progressive capitalism, but according to him that involves sweeping changes in economic institutions as well as political institutions. In fact, what Stiglitz says is: “Before economic reform there will have to be political reform.”⁹⁷ Political reform is sought in three critical areas:⁹⁸ (1) electoral system to ensure easy and fair voting, (2) judiciary particularly the Supreme Court to prevent politicization, (3) political system to curb the power of money in politics. Changes in economic institutions, on the other hand, would mark the shift away from the notion of totally free markets to actively regulated markets in labor, product and financial sectors. These are aimed to reduce concentration of market power, strengthening the bargaining power of labor, increased consumer protection and prevention of environmental deterioration. All these assume a greater and active role for government. Under this new political and economic framework, Stiglitz delineates an economic agenda for the U.S. “that can restore growth and social justice and enable most citizens to have the middle-class life to which they aspire.”⁹⁹ This implies that the economic agenda is drawn on the clear premise of complementarity among the goals of economic growth, social justice and environmental protection. In the words of Stiglitz, “....one cannot separate economic security, social protection, and social justice from creating a more dynamic, innovative economy and protecting the environment.”¹⁰⁰ The major elements in the economic agenda are:

1. Raising the labor-force participation of women with family-friendly policies like flexible hours, family leave, and support for childcare
2. Large public investment in infrastructure, education and basic research

⁹⁷ Stiglitz, *People, Power and Politics*, xxvii.

⁹⁸The detailed description of the required political reform is given in Stiglitz, *People, Power and Politics*, 159-178.

⁹⁹Stiglitz, *People, Power and Politics*, 179.

¹⁰⁰Stiglitz, *People, Power and Politics*, 180.

3. Government assistance in adjusting to trade competition, globalization and advances in technology through “well-designed active labor market and industrial policies”¹⁰¹
4. Place-based policies to help revitalize cities, regions, or communities undergoing stress
5. Steps to fill the large gaps in the U.S. system of social insurance
6. An economy wide employment guarantee scheme for all who are able and willing to work similar to the one in India introduced for the rural sector
7. Reform of corporate governance laws, better labor laws, strengthening and enforcing anti-discrimination and competition laws
8. Increased minimum wages and provision for wage subsidies to top up what the private sector pays to the level of a livable wage
9. Availability of pre-K to university level education to all without imposing the burden of student debt
10. For education, the federal government to incentivise states to equalize funding between rich and poor communities and itself providing more funds for that equalization process
11. Further improvement of the health insurance system by introducing public provision of insurance along the lines of the European countries
12. Affirmative action and economic programs to promote equality of opportunity for which “a new generation of civil rights legislation”¹⁰² is suggested
13. A progressive, fair and efficient tax system by raising the tax rates on rich individuals and corporations and eliminating the several loopholes and tax dodges
14. Introduction of a tax on carbon emissions
15. A well-designed financial transactions tax

Stiglitz reiterates the inextricable link between racial justice and economic justice by stating: “If we reduce inequalities overall, if we ensure that families at the bottom can give their children the same opportunities as families at the top, then we will be able to make strides in enhancing racial, economic, and social justice, and in creating a more dynamic economy.”¹⁰³

7.2 Participatory Socialism

Thomas Picketty, a French economist, is a prominent critic of capitalism for its role in generating high and rising inequality. Picketty’s historical analysis stretching back even prior to

¹⁰¹ Stiglitz, *People, Power and Politics*, 187.

¹⁰² Stiglitz, *People, Power and Politics*, 203.

¹⁰³ Stiglitz, *People, Power and Politics*, 203-204..

colonial, slave-owning and feudal periods has led him to believe that the foundation of “inequality is neither economic nor technological; it is ideological and political.” The institutions and practices that give rise to inequality is not natural but shaped by the interaction of politics with the dominant ideas and ideologies of the time. One can “imagine new worlds and different types of society” as different paths are possible, says Piketty.¹⁰⁴ He advocates “transcending” capitalism by moving to what he calls a “participatory socialism” to bring down inequalities.

The movement towards participatory socialism basically consists of two things: first, the establishment of a true social ownership of capital by more extensive power-sharing within firms; and second, the making of ownership of capital temporary by instituting a very progressive taxation on wealth which will finance a universal capital endowment for persons thereby ensuring permanent circulation of wealth.¹⁰⁵

Piketty states that the first element of social ownership of firms is a further improvement on “co-management” that already exists in Germany and Nordic countries where workers’ representatives hold a third to half the seats on boards of directors of companies. The second element is more revolutionary as it aims to challenge the long-held private property ownership although not to the extent of wanting to abolish it.

Piketty notes that inequality in wealth is worse than the inequality in income. Even during the period of reduction of inequality of income the share of wealth going to the bottom 50 percent remained at 5-10 percent over lower for most countries. In the 2010s, the share of private wealth held by the top decile has risen above 70 percent in the US, Europe, India, China and Russia.¹⁰⁶ This high concentration of wealth and limited diffusion of wealth indicates the denial

¹⁰⁴Thomas Piketty, *Capital and Ideology* (Cambridge, Massachusetts: Harvard University Press, 2020), 7.

¹⁰⁵Piketty, *Capital*. 972.

¹⁰⁶Piketty, *Capital*. 979.

of opportunities to the bottom 50 percent to participate in economic life as entrepreneurs.¹⁰⁷ He wants a scheme of universal capital endowment equivalent to 60 percent of the national average to be given to each young adult (say, at age 25) financed by a progressive annual tax on private wealth (physical and financial) and a progressive tax on inheritances with both their marginal rates going up to 90 percent. The wealth and inheritance taxes are suggested to yield about 5 percent of national income. The 90 percent wealth tax on billionaires would suddenly reduce their wealth to one tenth and reduce the share of national wealth held by them to a level even below that for the period 1950-80.¹⁰⁸

Besides the above, Piketty suggests a steeply progressive income tax which would cover social security taxes and a progressive individual carbon tax, again with a top marginal rate of 90 percent. The proceeds from the progressive income tax amounting to 45 percent of national income is to be used to finance highly ambitious public programs which include ensuring a basic minimum income equivalent to 60 percent of average after-tax income, and the welfare state covering health, education, pensions, unemployment insurance, family benefits, etc.

Piketty stresses the importance of educational justice in building a just society and participatory socialism. He points out that in the U.S. there is very large inequality with regard to the access to quality education at both school and university levels. He wants in addition to allocation of larger resources to less advantaged schools, admission procedures at universities to adopt social quotas, parental income or neighborhood criterion. In this connection, he notes with

¹⁰⁷Piketty, *Capital*, 980.

¹⁰⁸Piketty, *Capital*, 987.

admiration the Indian case where quotas and “reservations” for specific social categories and all socially disadvantaged classes are prescribed in university admissions.¹⁰⁹

Piketty’s proposal of participatory socialism merits careful consideration in the context of the search for a new, more equitable and sustainable model of economic development. There are some elements in Piketty’s participatory socialism which are appealing such as corporate power sharing and educational justice. Piketty points out the fact that co-management arrangements in Germany and Nordic countries happened after a long struggle waged by unions and their political allies beginning in the late nineteenth century.¹¹⁰ He also notes that “deep racial and ethno-religious divisions developed within the working class, first in the United States in the wake of the civil rights movement in the 1960s and later in Europe, as issues connected with immigration and post colonialism gained prominence in the 1980s.”¹¹¹ Racism impacting the working class unity and the white working class succumbing to xenophobia continues to be issues in both the U.S. and Europe.

One has to understand that conservative revolution of the 1980s occurred as a reaction to the economic crisis of the 1970s as western countries went through “stagflation.” Governments initially tried to tackle the crisis by clamping down with more controls and restrictions on the economy which did not help. Countries came out of stagflation only through liberalizing the economies.

Just as the crisis of the Great Depression of the 1930s leading to poverty and inequality, made governments shift to an egalitarian regime, the financial crisis of 2008 and the accelerating

¹⁰⁹Piketty, *Capital*, 1014.

¹¹⁰Piketty, *Capital*, 972-973.

¹¹¹Piketty, *Capital*, 40.

inequality and social tensions of the present, could make governments turn egalitarian again. However, the process appears to be gradual rather than sudden and therefore needs to be pushed for vigorously now.

The elements of capital grant and universal basic income could sap motivation for hard work on the part of the general population. The need of the time is employment rather than free income and capital as “for most people work is an important part of life.”¹¹² The confiscatory levels of taxation for individuals and firms will disincentivize entrepreneurship and badly hurt economic growth. In short, while some parts of participatory socialism are good, the whole package does not seem sound.

7.3 The Role of Community

Raghuram Rajan, a distinguished professor of University of Chicago, former IMF chief economist and Governor of India's central bank, is one of the prominent economic thinkers of our time. He considers the state, markets and community to be the three pillars of a modern society. Stability and progress depend on an optimum balance among the three pillars and society suffers when this balance is upset. In his own words, “Too weak the markets and society becomes unproductive, too weak a community and society tends toward crony capitalism, too weak the state and society turns fearful and apathetic. Conversely, too much market and society becomes inequitable, too much community and society becomes static, and too much state and society becomes authoritarian.”¹¹³

The current state of society reflects a serious imbalance of the pillars. This, according to Rajan, is the result mainly of ICT revolution and also of trade competition, both causing

¹¹²Stiglitz, *People, Power and Profits*, 191.

¹¹³Raghuram Rajan, *The Third Pillar: How Markets and the State Leave the Community Behind* (New York: Penguin Books, 2019), xviii.

significant job losses in communities of developed countries. In the United States, joblessness hit the minority and immigrant communities in the 1970s and 1980s and in the last two decades, white communities in small towns and semi rural areas have also been hit by the closure of large local manufacturers.

ICT revolution has created a deep divide in society by creating high paying jobs to the best educated leading the high middle-class households seceding from economically mixed communities to join similar households in richer neighborhoods with better schools and job opportunities. And the mixed communities decline further with poorer education and job opportunities and “get trapped in vicious cycles where economic decline fuels social decline, which fuels further economic decline.”¹¹⁴ Rajan notes that the recent rise of white majoritarianism in the U.S. and Europe, Islamic nationalism in Turkey and Hindu nationalism in India is a direct effect of the decline of proximate communities in those countries.

Therefore, Rajan argues that the restoration of the community pillar is the solution to the present day malaise. This is to be done through devolving power and funding from the federal level to the communities so that they could substantially strengthen local institutions particularly schools and provide for other social and economic infrastructure.

7.4 Taxation and Social Justice

We have seen earlier the point by Piketty that a system of progressive taxation in western countries contributed towards reducing inequality during the pre-1980 period which did not adversely affect economic growth but rather helped foster growth. We also noted that the current taxation in the U.S. is far from progressive and in fact heavily regressive. Applying the Rawlsian

¹¹⁴ Rajan, *The Third Pillar*, xix.

principle of justice, Saez and Zucman argue that taxing the rich is not to make them “pay their fair share” but to ensure that their wealth benefits the least well off.¹¹⁵

Saez and Zucman propose three ingredients of a fair tax regime for the US: a progressive income tax, a corporate tax, and a progressive wealth tax.¹¹⁶ They give the reason for the introduction of a wealth tax in the U.S. as below:

Quite simply because among the most advantaged members of society, many people possess substantial wealth while having low taxable income. Maybe they own a valuable business that does not make much profit, but which, everybody anticipates, will be immediately profitable in the future (see: Bezos, Jeff). Or, as is more frequently the case, they may structure their already profitable business so that it generates little taxable income (see: Buffett, Warren). In both cases, these billionaires can today live almost tax-free.¹¹⁷

Based on Frank Ramsey’s elasticity principle¹¹⁸ Saez and Zucman estimate the optimal *average* income tax rate on the top bracket tax payers in the US to be 60% with less than 60% for people at the bottom of the top 1% and up to 75% for the ultra-rich.¹¹⁹ Given that the average macroeconomic tax rate is around 30%, this implies that the top 1% richest Americans would pay twice as much in tax as a fraction of their income, as the average person.

The tax proposals of the authors can be summed up as: a doubling of the *effective* corporate tax rate; a revamped progressive income tax with a top marginal rate of 60%; estate tax revenues are doubled with better enforcement; and a wealth tax at a rate of 2% for above \$50 million in

¹¹⁵Saez and Zucman, *The Triumph of Injustice*, 130-131.

¹¹⁶Saez and Zucman, *The Triumph of Injustice*, 145.

¹¹⁷ Saez and Zucman, *The Triumph of Injustice*, 146.

¹¹⁸Frank Ramsey is a mathematician-cum-economist who formally proved in the 1920s that if all taxpayers faced the same tax rate, the rate that maximizes government revenue is inversely proportional to the elasticity of taxable income.

¹¹⁹Saez and Zucman, *The Triumph of Injustice*, 134-135.

wealth and 3.5% for above \$1 billion. This, according to them, would restore the tax progressivity of the 1950 tax system.

The authors go further and propose more changes in the tax system which could enable it in funding the what is called, the “social state” of the U.S. The social state implies universal health insurance, child care, and more equal access to higher education, for instance through more funding for public universities.¹²⁰ These changes are listed below:

1. A national income tax at the rate of 6% on labor income, all business profits, interest income received by individuals and non-profit organizations, foreign dividends and other income received by individuals and non-profit entities; and
2. Elimination of the outdated sales tax (and the Trump tariffs) that hurt the working class currently.

The implications of the proposals narrated above are that all income groups up to ninety-fifth percentile would pay less than the present, and the median tax rate would fall from 38% to 28% with the disappearance of about thirteen points of health insurance premiums and three points of sales taxes.¹²¹

The proposals suggested by the authors if implemented would usher in a fair tax regime and go a long way in correcting the excesses of globalization and making America a more caring society. The rationale for a wealth tax is quite strong in the U.S. as the taxable income of the ultra-rich is heavily underreported. However, the hefty tax rate on the companies (more so with the introduction of the national income tax) could have harmful effects on the U.S. economy. The abolition of sales taxes which are levied by the state and local governments without an alternative source of tax receipts for them could make their budgetary position weak.

¹²⁰Saez and Zucman, *The Triumph of Injustice*, 190.

¹²¹Saez and Zucman, *The Triumph of Injustice*, 194.

To counter this, I suggest the introduction of the modern value-added tax (VAT) covering both goods and services for the U.S. in place of the faulty sales taxes.

7.5 The Way Forward

The above contained a number of socialistic traits that can be incorporated into the capitalist system to beat the drawbacks of the present system. They all imply empowering the state to manage and guide markets in such a way as to promote growth with social justice and environmental protection. We have seen that disparities and prejudices that are spawned by the capitalist mode of production themselves are limiting growth, and as a result, further growth is possible if only the disparities and prejudices are removed. However, I find Piketty's socialistic turn is too sharp to accomplish the desired outcome of growth with social justice. Stiglitz's approach is more reasonable and balanced but his tax-reform proposal falls short of what I consider as needed. I consider the tax proposal by Saez and Zucman as more appropriate with their plea for a wealth tax at moderate rates. Piketty's tax proposal appears to me as unrealistic and counterproductive. His proposal for a universal minimum income and capital endowment also doesn't seem very sound. However, Piketty's stress on educational justice and labor participation in management is quite proper. Sainsbury's observation that the vast pay disparity between a typical CEO and a worker in a large American company rising from twenty-four times in 1965 to three-hundred times in 2007 is noteworthy. Rajan's introduction of community as the third pillar of society and his plea to empower local communities are very thoughtful. His observation about too much market leading to inequality and too much state leading to authoritarianism brings out the present realities.

8. Conclusion

If there is one theme running all through this paper, it is this: Social justice makes not just a moral sense but also an economic sense. Sustained economic growth and prosperity for nations cannot be achieved without social justice. There could be a short-run tradeoff between the two, but that tradeoff breaks down sooner than later, and growth peters out unless the fruits of growth are shared equitably. Therefore, the U.S. problem of low growth and high unemployment cannot be resolved unless its age-old discrimination based on race, ethnicity, gender, and income is successfully tackled.

The suggestion of a wholesale replacement of capitalism with socialism is a mistaken one as it shows the failure to learn lessons from the major past socialist experiments which ended in political tyranny, economic misery and terrible loss of human lives. Nor the giving up on the path of growth a sensible thought. The two and half decades after World War II when the western nations assumed socialistic characteristics gave the best results so far in terms of both growth and social justice. That process was cut short due to the overreaching by the state through excessive control on economies and that led to a backlash in the form of neoliberalism. The insight from the past experience defines the right role of government as regulation and not control, i.e., letting the market function where it can and intervening where it cannot. Government intervention is required when there is concentration of market power leading to monopoly in the product market and monopsony in the labor market. Also, the government needs to intervene in protecting the environment and the suggestion of a carbon tax is in that direction. On top of this, the government has both pre-distributive and redistributive roles to play, the former aimed at curbing the likely inequalities in the capitalist production process and the latter

meant to rectify inequalities through taxation and transfers. The vast pay differences between the typical worker and CEO in American corporations need to be corrected through raising the wages at lower and middle levels and bringing down those at executive levels. This requires the government initiating appropriate corporate governance and labor market reforms.

The big challenge to government in fostering economic growth with social justice in the U.S. context is the carrying out of political reform. The Biden administration is hamstrung by the narrow majority for the Democratic Party in Congress. With the Republican Party determined not to support any major policy initiative of the government, the picture appears not very encouraging. The number of voter suppression bills – more than 250 in 43 states – proposed by Republican legislators is a pointer in that direction.¹²² Affirmative action towards racial justice particularly requires amendment to the constitution which is not possible without a two-third majority in each house of Congress. All eyes are on the present government to see how it will overcome the stiff opposition and forge ahead with the grand vision of growth with social justice.

¹²²See Jeffrey D. Sachs, “America’s Third Reconstruction,” *Project Syndicate*, March 30, 2021.

Bibliography

- Alexander, Michelle. *The New Jim Crow: Mass Incarceration in the Age of Colorblindness*. Revised Edition. New York: The New Press, 2012.
- Arruzza, Cinzia, Tithi Bhattacharya, Nancy Fraser. *Feminism for the 99%. A Manifesto*, London, New York: Verso, 2019.
- Ball, Terence and Richard Dagger. "Socialism." *Encyclopedia Britannica*, 30 Apr. 2020, <https://www.britannica.com/topic/socialism>.
- Boushey, Heather. "How to Make America More Equal." *Finance & Development* (December 2020): 32-35.
- Boushey, Heather and Carter C. Price. "How are Economic Inequality and Growth Connected? A Review of Recent Research." *Washington Center for Equitable Growth*, October 2014.
- Brand, Ulrich, Tobias Boos and Alina Brad. "Degrowth and post-extractivism: Two debates with suggestions for the inclusive development framework." *Current Opinion in Environmental Sustainability* 24 (2017): 36-41.
- Britannica, The Editors of Encyclopaedia. "Capitalism." *Encyclopedia Britannica*, 23 Sep. 2020, <https://www.britannica.com/topic/capitalism>.
- Costas, Orlando E. *Christ Outside the Gate*. Oregon: Wipf & Stock Publishers, 2005.
- Demaria, F., F. Schneider, F. Sekulova, and J. Martinez-Alier. "What is degrowth? From an activist slogan to a social movement." *Environmental Values* 22.2 (2013): 191-215.
- Du Bois, W.E.B. *Black Reconstruction in America*. New York: The Free Press, 1935.
- Ehrenreich, Barbara and Arlie Russell Hochschild. *Global Woman: Nannies, Maids, and Sex Workers in the New Economy*. New York: Henry Holt and Company, 2003.
- Federici, Silvia. *Caliban and the Witch*. New York: Autonomedia, 2004.
- Foster, John Bellamy, Brett Clark, and Richard York. *The Ecological Rift: Capitalism's War on the Earth*, New York: Monthly Review Press, 2010.
- Friedman, B. *The Moral Consequences of Economic Growth*. New York: Vintage Books, 2005.
- Friedman, Milton. "The Social Responsibility of Business Is to Increase Its Profits," *The New York Times*, 13 September 1970.
- Gutiérrez, Gustavo. *A Theology of Liberation: History, Politics, and Salvation*. Maryknoll, NY:

Orbis Books, 1973.

Haight, Roger. "Liberation and Salvation: Christology and the Christian Life." Pages 363-394 in *Jesus Symbol of God*. Maryknoll, New York: Orbis Books, 2001.

Hannah-Jones, Nikole. "What is Owed." *The New York Times Magazine*, June 20, 2020.

Heilbroner, Robert L. and Boettke, Peter J. "Economic system." *Encyclopedia Britannica*, 23 Oct. 2020, <https://www.britannica.com/topic/economic-system>.

Herring, Cedric. "African Americans in Contemporary America: Progress and Retrenchment" Pages 181-208 in *The Minority Report: An Introduction to Racial, Ethnic, and Gender Relations*, Third Edition. Edited by Anthony Gary Dworkin and Rosalind J. Dworkin. Orlando: Harcourt Brace College Publishers, 1999.

Holzinger, H. "Zukunfts Dossier Wirtschaft jenseits von Wachstum? Bundesministerium für Land- und Forstwirtschaft, Umwelt und *Wasserwirtschaft* (Lebensministerium), Vienna, 2010.

Kallis, Giorgos et al. "Research on Degrowth." *Annual Review of Environment and Resources* 43 (2018): 291-316.

Kinsler, Ross and Gloria Kinsler. *The Biblical Jubilee and the Struggle for Life*. Maryknoll, NY: Orbis Books, 2000.

Lakner, C. and B. Milanovic. "Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession," *World Bank Economic Review*, 2015.

McNally, David. *Another World is Possible. Globalization & Anticapitalism*, Revised Expanded Edition. Winnipeg: Arbeiter Ring Publishing, 2006.

Milanovic, Branko. "The World Is Becoming More Equal: Even as Globalization Hurts Middle-Class Westerners," *Foreign Affairs*, August 28, 2020.

Muraca, Barbara. "Towards a fair degrowth-society: Justice and the right to 'good life' beyond growth." *Futures* 44 (2012): 535-545.

Ostry, Jonathan D., Prakash Lougani, and Andrew Berg. *Confronting Inequality: How Societies Can Choose Inclusive Growth*. New York: Columbia University Press, 2019.

Piketty, Thomas. *Capital and Ideology*. Cambridge, Massachusetts: Harvard University Press, 2020.

Rajan, Raghuram. *The Third Pillar: How Markets and the State Leave the Community Behind*. New York: Penguin Books, 2019.

Rosa, Hartmut and Christoph Henning. "Goodlife beyond growth: An introduction." Pages 1-14 in *The Good Life beyond Growth: New Perspectives*. Edited by Hartmut Rosa and Christoph Henning. London and New York: Routledge, 2018.

Sachs, Jeffrey D. "America's Third Reconstruction." *Project Syndicate*, March 30, 2021.

Saez, Emmanuel and Gabriel Zucman. *The Triumph of Injustice: How the Rich Dodge Taxes and How to Make Them Pay*. New York: W.W. Norton & Company, 2019.

Sainsbury, David. *Progressive Capitalism: How to Achieve Economic Growth, Liberty and Social Justice*. London: Biteback Publishing, 2013.

Schneider, F., G. Kallis, and J. Martinez-Alier. "Crisis or opportunity? Economic degrowth for social equity and ecological sustainability." Introduction to this special issue. *Journal of Cleaner Production* 18.6 (2010): 511-518.

Stiglitz, Joseph E. *Freefall: America, Free Markets, and the Sinking of the World Economy*, New York: W.W. Norton & Company, 2010.

_____. *People, Power, and Profits: Progressive Capitalism for an Age of Discontent*. London and New York: W.W. Norton & Company, 2019.

_____. "Is Growth Passé?" *Project Syndicate*, December 9, 2019.

The Limits to Growth Report. *The Limits to Growth: A Report for the Club of Rome's Project on The Predicament of Mankind* by Donella H. Meadows and others. New York: Universe Books, 1972.

Wielenga, Bastiaan. "Justice I: Biblical Tradition." Pages 333-341 in *Historical Critical Dictionary of Marxism (HKWM)*; English in *Historical Materialism*, vol. 13.3, 2005.

Williams, Eric Eustace. *Capitalism and Slavery*. London: Andre Deutsch, 1944.

"World People's Conference on Climate Change and the Rights of Mother Earth: People's Agreement." *People's Agreement of Cochabamba*, April 22, 2010, Cochabamba/Bolivia.