



## EDITORIAL ANALYSIS

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# World must fight inequality to safeguard ideals of democracy

**Syllabus: GS2/Government Policies & Interventions**

**In News**

- The rapid advance of digital technologies, unchecked globalization and rising inequality have transformed our political and economic systems, fuelling socio-political unrest.

**Data on rising inequality**

- **Global scenario:**
  - Global economic inequality increased steadily between 1820 and 1910.
  - Since then, it has fluctuated, and any estimate depends on the specific methods and metrics researchers use.
    - The data clearly show that economic disparities have reached intolerable levels, with the world's richest 1% gaining 38% of the increase in global wealth between 1995 and 2021, compared to just 2% for the bottom 50%.
  - It is undeniable that the concentration of wealth continues to increase.
    - Between 1995 and 2021, global wealth grew by 3.2% annually.
    - Over the same period, the richest 0.000001% increased their wealth by 9.3% per year.
- **The case of India:**
  - According to the Oxfam Report, the number of Indian billionaires grew from 102 to 142 in the backdrop of a stark income divide worsened by the Covid pandemic.
    - A 39 percent increase in the number of billionaires in India in 2021.
  - India has the third highest number of billionaires in the world, just behind China and the United States, says the report, with more billionaires than France, Sweden and Switzerland combined.
    - In 2021, the collective wealth of India's 100 richest people hit a record high of Rs 57.3 lakh crore (USD 775 billion).
    - In the same year, the share of the bottom 50 percent of the population in national wealth was a mere 6 percent.

**Economic inequality challenging Democracy**

- **About:**
  - The political implications of today's economic disparities often go unnoticed.
  - In this age of digital connectivity and globalized commerce, excessive wealth concentrations undermine democracy in **two main ways:**
- **Globalization eroding global democracy:**
  - The **globalization of finance and supply chains** has enabled wealthy and powerful countries to affect the well-being of people far beyond their borders.
  - **But**, while citizens of Burkina Faso, for example, cannot vote in US presidential elections, the decisions of US presidents affect their daily lives as much as those made by their own leaders.
  - This dynamic suggests that globalization erodes global democracy.
  - Yet, there is **not much that developing countries can do** to challenge this hegemony, given that the US is not going to let the whole world participate in its presidential elections.
- **Concentration of wealth:**
  - Given that extreme wealth often translates into political power, the concentration of wealth in a few hands is anathema to democracy.
  - This is particularly **evident in the age of Big Tech**, when billionaires can gain an outsize influence on public discourse by taking over critical media platforms or manipulating search results.
  - One can hope that **advances in generative AI** will level the playing field in the technology sector and thus help curb inequality.

### Suggestions

- **Rightful policies to reduce inequality:**
  - Poorly designed interventions for achieving economic equality can cause potential damage.
    - History is replete with examples of well-meaning but ill-conceived policies that sought to reduce inequality, only to backfire and inadvertently bolster the narrative that all government intervention is inherently problematic.
  - Policies targeted towards reducing economic inequality can yield significant returns if they are delineated with **combining moral intentions with thoughtful design.**
- **Putting in the idea of 'relative' rich:**
  - We must also recognize that beyond a certain threshold, what matters most to people, including the wealthiest, is **relative rather than absolute inequality.**
  - Therefore, we can **levy significant taxes on the rich** without reducing their incentives, provided that **they maintain their relative standing.**
    - In other words, as long as billionaires understand that such taxation will not alter their rankings among the world's wealthiest individuals, they will remain motivated to increase their earnings, and the rest of us will reap the rewards of their efforts.
- **Envisaging the idea of UBI:**

- A basic income is an income unconditionally granted to all citizens on an individual basis, without means test or work requirement.
- It is a form of minimum income guarantee that is being paid irrespective of any income from other sources.
- As a policy concept, a UBI is redistribution at its most literal; it puts everyone on the state's payroll.
- **Multipronged strategy:**
  - The government must choose policy action to reduce the income gap between citizens.
    - This includes increasing job opportunities, raising wages, and providing access to better education and healthcare services.
  - Ensuring greater work participation of women, boosting farm prospects can also make significant difference.
    - Gender budgeting is another valuable fiscal tool in the fight to reduce inequality.
- **Utilizing digital tools:**
  - Utilizing digital tools in tax collection can also be part of a comprehensive strategy to boost domestic revenue.
  - Reducing corruption can both improve collection and increase trust in government.

### **Way ahead**

- Today, India is **no longer a country languishing largely in extreme poverty**. It is a country with **pervasive inequality**, pockets of **deep deprivations** and **vulnerable populations**.
  - India is pivotal to the **world's achievement of the Sustainable Development Goals (SDGs)** by 2030.
  - To achieve the SDGs, we must recognise existing inequality and continuously **eliminate the structural factors** that create inequality.
- The **Nordic model is worth opting** wherein focus on healthcare, education and social safety has helped bridge inequality.
- The world can create an economy in which nobody lives in poverty, nor with unimaginable billionaire wealth—in which inequality no longer kills.

### **Daily Mains Question**

**[Q]** The rapid advance of digital technologies, unchecked globalization and rising inequality are undermining the values of democracy. Analyse.

