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Equality is Inequality Transformed by Justice

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Equality is Inequality Transformed by Justice

ABSTRACT

Inequality eternally touches the human consciousness as an unjust phenomenon that must be eliminated. However, despite many attempts, including bloody revolutions, it persists as gender and race discrimination, even in its oldest form – slavery. Beyond these extreme cases, inequality is natural whereas equality is artificial. This opposite phenomena-wealth and poverty - united by the idea of justice, are easily appealing but hard to implement. Justice animates the search for equality but clips the wings of resentment in a tacit recognition of the hierarchy of professions, military commanders, voting age or age of conscription, and demand for efficiency.

Keywords: *inequality, justice, capitalism, enrichment, poverty, sufficiency, free market, merit, resentment, and universal basic income*

Against the Current

Inequality means a difference between comparable qualities like intelligence or beauty or comparable quantities like distance or speed. There are similar differences between property and respect, and a mismatch between the rich bourgeois and the poor noble person is historically well known as France's explosive Revolution. Even now, despite transparency brought by the Internet, comfortable life and esteem do not necessarily go along like among writers and readers of such articles, who, according to the standards of their society, are relatively poor but sometimes respected. There is growing interest in inequality which getting less harmful but more outrageous because more people at the bottom of society got a voice and see themselves as created equal and entitled to equal treatment – something that goes against the well-established social norms and does not sit well with nature.

Inequality eternally touches the human consciousness as an unjust phenomenon that must be eliminated. However, despite many attempts, including bloody revolutions, it persists as gender and race discrimination, even in its oldest form – slavery. Beyond these extreme cases, inequality is natural whereas equality is artificial. “Humanity left to its own does not necessarily re-establish capitalism, but it does re-establish inequality.”¹

As J. Kelley and H. S. Klein show, anyone with physical capital, human capital, or other advantages will be better able to take advantage of new opportunities opened up by economic development, and that increases inequality by any definition.²

Since modern revolutions in poor societies (e.g., Mexico in 1910, Bolivia in 1952) almost always promote economic development, authors predict that they eventually create more inequality than *before the revolution* unless the governments make strenuous efforts to prevent it.

The differentials reflected human capital, which existed in virtually every known society regardless of the economic system – in among others, Pharaonic Egypt, Classical Greece, the Roman Empire, tribal Africa, medieval Europe, 13th century Nepal, colonial Latin America, the Ottoman Empire, the USSR, and other eastern European communist societies, communist China, Cuba, and throughout the contemporary third world. (...) Those with skills and technical training will have to be rewarded – whether in money or housing, vacations, automobiles, or other perquisites.³

But it is inequality is equally inevitable unless society is willing to eliminate pay differentials based on education and skills, and also willing to

¹Andre Malraux. *Anti-Memoirs*. Mao Tse-tung's Interview with Andre Malraux, 1965.

²Jonathan Kelley and Herbert S. Klein. “Revolution and the rebirth of Inequality: A Theory of Stratification in Postrevolutionary Society.” *American Journal of Sociology*, July 1977, Vol.83, No.1, pp.78-99.

³Jonathan Kelley and Herbert S. Klein. *Revolution and Inequality: Reply to Eckstein*. *American Journal of Sociology*, 1980, Vol.85, No.4, p. 959.

destroy the ultimate contacts with the family that lead to the transmission of human capital from one generation to the next.⁴

Inequality attracts attention beyond of academia because its moral appeal. The moral appeal of inequality is a sense of justice. The stronger injustice, the stronger the moral appeal of inequality. Using the concepts of original position⁵ assumes the existence of inequality that can and must be corrected for achieving justice. The inequality of positions must be minimized by equal access to them,⁶ whereas benefits of the most advantageous position must be “in greatest benefits the least advantaged members of society.”⁷

The attractive clarity of this issue is complicated and blurred by the reality of human conditions. There is primordial injustice in the world where people live in a favorable or disastrous climate beyond their choice as recently remained by the flood in Pakistan and Earthquake in Turkey and Syria. Understanding this fact grounds our consideration of is, localizing it in space and time and relativizing it historically and culturally. In academia, the topic of inequality gets prominence, similar to the tulips’ during the Dutch Golden Age (1575 – 1675) when ‘contract prices for some bulbs of the recently introduced and fashionable tulip reached extraordinarily high levels.’⁸ Finis Welsh choose this topic for the 111 Annual meeting of the Association, May 1999, not to offend, but because she believed inequality was an economic “good” that had received “too much bad press “wages play many roles in our economy; along with time worked, they determine labor income, but they also signal relative scarcity and was, and with malleable skills, wages prove incentives to render the services that are most highly valued. Further, we all buy and sell labor either directly or indirectly as labor is embodied in products.”⁹

Regarding the *past three decades in the time of this publication - and now already five decades* when wage inequality increased, first, the opportunities created through expanded *educational wage premiums* have been and continue to be exploited; and second, increasing inequality *within* groups distinguished by race and gender coincided with reduced inequality *between* the same groups.¹⁰

Looking at the other side of the inequality coin, usually neglected, who is equal in the football game to Pele, or in singing to Pavarotti, or what is equal to the Windows of Bill Gates, or I-phone of Steve Jobs smartphone, or Pfizer vaccine or...? The list is inexhaustible.

⁴Jonathan Kelley and Herbert S. Klein. Revolution and Inequality: Reply to Eckstein. *American Journal of Sociology*, 1980, Vol.85, No.4, p. 964.

⁵John Rawls. “A Theory of Justice,” The Belknap Press, Harvard University Press, 1973, pp.17-22.

⁶John Rawls. “A Theory of Justice,” p.74.

⁷John Rawls. “A Theory of Justice,” p.75.

⁸Anne Goldar. “Tulipomania. Money, Honor, and Knowledge in the Dutch Golden Age,” University Chicago Press, 2007; Mike Dash. “Tulipomania: The story of the World most coveted Flowers & Extraordinary Passions it Aroused.” Three River Press, New York, 2001.

⁹Finis Welsh. “In Defense of Inequality,” *The American Economic Review*, 1999, Vol.89, No.2, p.1.

¹⁰Finis Welsh. “In Defense of Inequality,” *The American Economic Review*, 1999, Vol.89, No.2, p.16.

The idea of the original position is set up by J. Rawls “to nullify the effects of specific contingencies which put men at odds and tempt them to exploit social and natural circumstances to their own advantage.”¹¹ When did we find out that we are not Steve Jobs or Pavarotti? However, we should not miss some historical and cultural context. We live in a society that prizes the talents we happen to have but should not claim the credit. This is too a matter of good fortune. LeBron James makes tens of millions of dollars playing basketball, a hugely popular game. *This is in the U.S.A.* rather than in Renaissance Florence, where fresco painters, not basketball players, were in high demand.¹²

Finis Welsh would argue that inequality is destructive whenever the low-wage citizenry views society as unfair, when it views effort as not worthwhile, and when upward mobility is viewed as impossible or so unlikely that its pursuit is not worthwhile. Even more extreme, inequality can be destructive if it leads to illegal redistributing attempts. “¹³According to Harry Frankfurt, economic equality is not, as such, of moral importance. Concerning the distribution of economic assets, what is important from the point of view of morality is not that ‘everyone should have the same but that each should have enough. Important from the point of view of morality is “not that everyone should have *the same* but that each should have *enough*.”¹⁴ This corresponds to Rawls’s idea of ‘the social minimum’ that is challenged by the competitive market, including wages and earnings.¹⁵ Based on historical data on development in England, Germany, and the U.S., Simon Kuznets found that as industrialization proceeds, the center of economic activity shifts from the rural area to the cities as rural laborers begin to migrate seeking better-paying jobs. Accordingly, economic inequality was expected to decrease when a certain level of average income was reached, which is illustrated by the inverted U-shape curve.

According to S. Kuznets, his paper, quoted here, is perhaps 5% of information and 95% speculation, some of it possibly tainted by wishful (...) One genuine excuse is “that speculation is an effective way of presenting a broad view of the field; and that so long as it is recognized as a collection of hunches calling for further investigation rather than an asset of fully tested conclusions, *little harm and much good may result*.”¹⁶

Indeed, inequality has risen in most developed countries since the 1960s, so graphs of inequality over time no longer display the S. Kuznets curve. T. Piketty has argued that the decline in inequality over the first half of the 20th century was a once-off effect due to the destruction of large concentrations of wealth by war and economic depression.

¹¹John Rawls. “A Theory of Justice,” Harvard University Press, 1973, pp.136-138.

¹²Michael J. Sandel, “The Tyranny of Merit. *What’s become of the Common Good?*” New York: Farrar, Straus, and Giroux, 2020, p.123.

¹³Finis Welsh. “In Defense of Inequality,” *The American Economic Review*, 1999, Vol.89, No.2, p.16.

¹⁴Harry Frankfurt. “Equality as a Moral Ideal.” *Ethics* 98, October 1987, p. 21.

¹⁵Finis Welsh. “In Defense of Inequality,” *The American Economic Review*, 1999, Vol.89, No. 2, p.16.

¹⁶Simon Kuznets. “Economic growth and Income Inequality.” *The American Economic Growth and Income Inequality.* *The American Economic review, Review*, 1955, Vol.45, No.1, pp.1-28.

Economic inequality within countries has increased within the last three decades until 2001. (...) More puzzling is the fact that one cannot find a clear link between the level of inequality and public discontent.”¹⁷

In Europe, the U.S., and Japan the richest 20% of households are between 5 and 10 times as rich as the poorest 20%. In most countries of Latin America, as well as the Philippines, Thailand, Malaysia, and 9 of the 18 countries of Africa for which data are, the richest 20% of households are more than 10 times richer than the poorest 20%. In *Brazil and Africa*, the 2 countries with the highest measured inequality, the richest households are more than 25 times richer than the poorest. In South Asia and China, inequality is lower but the poor are much poorer.¹⁸ Low income makes education and health and other *indicators of well-being* more difficult to achieve for the poor. In addition, low income may undermine more directly people’s sense of well-being; poor people, when asked, tend to name a good job and steady income as their highest priority.¹⁹

The resentment of *inequality* has reached its apogee – in *prominence* - in the writing of Thomas Piketty, which focused on the gap between the growth of productivity and the growth of wealth.²⁰ The study of Jonathan Mijs brought the missing aspect of this and therefore showed the problem, immediately captured by the title “The paradox of Income Inequality: income inequality and belief in meritocracy go hand in hand.”²¹ The broad consensus across many fields is “Robyn Good is right. Humanity’s deepest wish is to spread the wealth.”²² However, in Sherwood Forest there are differences; women, Democrats and the poor desired relatively more equal distributions than men, Republicans, and the wealthy, and were also more accurate in estimating the extent of current inequality.²³

In line with our discussion of Inequality, we should not miss the 80/20 Wilfred Pareto principle. It originated with the observation that in Italy rich people, Pareto observed that 80% of Italy's land was owned by only 20% of the population, a minority, whereas a majority of Italians, 40%, are poor. The Pareto principle has proved its applicability beyond Italy and to different aspects of life. Lacked mathematic precision, this rule is without political biases.

¹⁷C. Larsen, “How three narratives of modernity justify economic inequality,” *Acta Sociologica*, 2016, Vol. 59, No.2, p.94.

¹⁸Nancy Birdsall, “Why Inequality Matters: The Economic issues.” *Economics & Internationale Affairs*. 2001, Vol. 15, Issue 2, p.7.

¹⁹Nancy Birdsall, “Why Inequality Matters: The Economic issues.” *Economics & International Affairs*. 2001, Vol. 15, Issue 2, p. 8.)

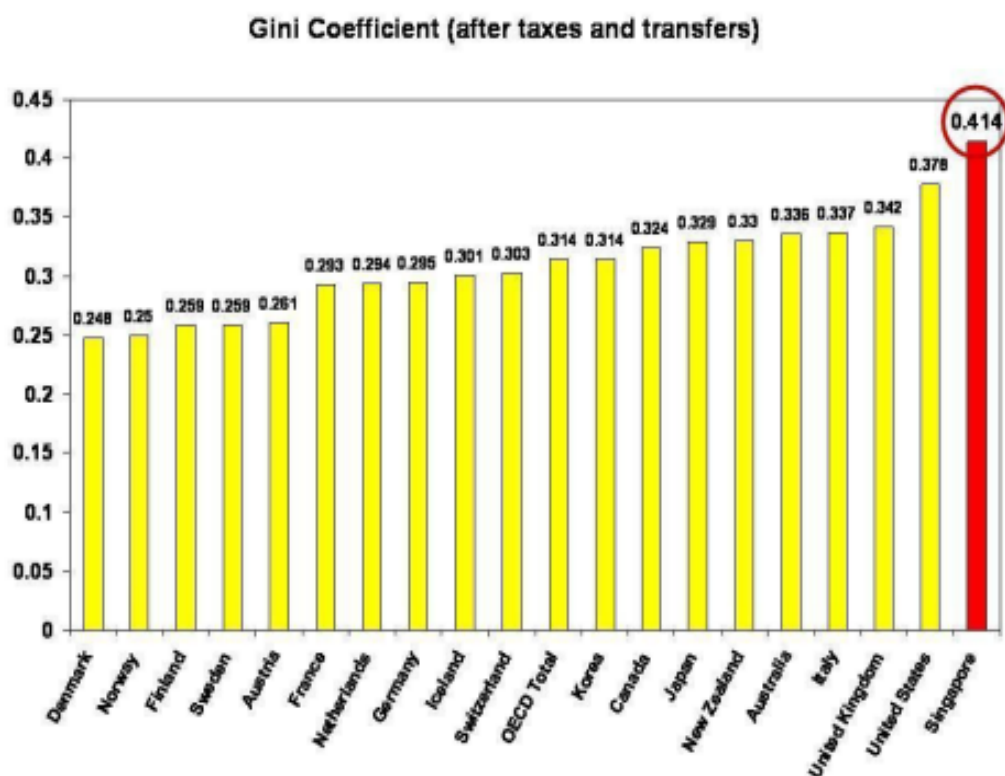
²⁰Thomas Piketty. “Capital in the Twenty-First Century.” The Belknap Press of Harvard University Press, Cambridge Massachusetts, 2017, pp.205,217,732-736.

²¹Jonathan J.B. Mijs. “The paradox of Income Inequality: income inequality and belief in meritocracy go hand in hand,” *Socio-Economic Review*, 2021, vol.19, pp.7-35.

²²Christina Starmans, Mark Sheskin and Paul Bloom.” Why People Prefere Unequal Societies.” *Nature Human behavior*,2017, vol. 1, Article number 0082, p.1.

²³Michael I. Norton, David T. Neal, Cassandra L. Covan, Dan Ariely, Elise Holland. “The not-so-common wealth of Australia: Evidence for a Cross-Cultural Desire for a More Equal Distribution of Wealth.” *Analyses of social Issues and Public Policy*, 214, Vol.14, No.1, pp.339-351.

Corrado Gini Index or coefficient is an attractive measure of inequality and corresponding “an index of envy”, precisely because it represents a particularly relational or relativistic conception of inequality (0=absolute equality, 1- the maximum coefficient for the general population inequality).²⁴



According to World Bank, the Top 10 Countries with the Highest Gini Coefficients (%) are:

The Republic Sao Tome and Principe - 2017 - 56.3; Central African Republic - 2008 - 56.2; Eswatini - 2016 - 54.6; Mozambique - 2014 - 54.0; Brazil - 2019 - 53.4; Belize - 1999 - 53.3.

Now for the good news, according to the same source - World Bank:

The top 10 Countries with the Lowest Gini Coefficients (%) are Slovenia - 2018 - 24.6; Czech Republic - 2018 - 25.0 (tie); Slovakia - 2018 - 25.0 (tie); Belarus - 2019 - 25.3; Moldova - 2018 - 25.7; United Arab Emirates - 2018 - 26.0; Iceland - 2017 - 26.1; Azerbaijan - 2005 - 26.6 (tie)Ukraine - 2019 - 26.6 (tie); Belgium - 2018 - 27.2.

Nordic and Central Eastern European countries dominate this list, claiming seven of the top 10 slots. Inequality is generally lower in Europe than elsewhere in the world, and the Gini coefficient offers quantifiable proof of that fact. The United States has a Gini coefficient of 41.1. In 2015, the top 1% of earners in the United States averaged 40 times more income than the bottom

²⁴Pedersen, Axel West, 2004. “Inequality and Relative Deprivation: A sociological Approach to Inequality Measurement,” *Acta Sociologica*, 2004, Vol.47, no.1, p.36.

90%. In the U.S., poverty is a growing issue, where an estimated 12.3-17.8 percent are below the poverty line. The more recent data, 2022, come from the World Population Review.²⁵

If you take from a theory only the conclusions you like and discard the rest, you are using the theory as a drunkard uses a lamppost – for support rather than illumination.”²⁶

There are potential positive incentive effects of inequality which suggests the usefulness of distinguishing between what might be called “constructive” and “destructive” inequality. Let us define constructive inequality strictly only that inequality that reflects differences in individuals’ responses to equal incentives (or opportunities). It would then be inequality that is consistent with the notion of equity as defined above, and with the efficient allocation of resources in an economy. Naturally, whether inequality itself is problematic might hinge crucially on the question of whether or not free-market policies are also *commensurate* with opportunity-increasing policies. Authors argue that free-market policies, even if they might increase inequality (sure, they increase inequality-V.K.), potentially form powerful incentives for ruling elites to supply productivity-enhancing public goods at the same time that ordinary people demand increased access to the public good²⁷. Destructive inequality would in contrast be inconsistent with equity, reflecting privileges for the rich and blocking the potential for the productive contribution of the poor, which would be economically inefficient, reducing rather than enhancing growth.²⁸ Finis Welsh would argue that inequality is destructive whenever the low-wage citizenry views society as unfair, when it views effort as not worthwhile, and when upward mobility is viewed as impossible or so unlikely that its pursuit is not worthwhile. Even more extreme, inequality can be destructive if it leads to illegal redistributing attempts. “²⁹

Inequality eternally touches the human consciousness as an unjust phenomenon that must be eliminated but like sex, Inequality serves a higher purpose. In limits, set by cultural norms - whether this is protestant, Muslim, Confucian, or Hinduist society, - Sex lures into procreation, and Inequality lures into hard work, competition, and creativity.

Growth, - and most visibly in the Great Enrichment - works like a proverbial tide, and lifts all boats, but, again, it comes with unequally. This inequality attracts emotional attention, the resentment, but has a reason which is tightly related to the causes of the tide.

Among many proverbs, economics is rich with, “there is no free lunch”

²⁵See Poverty Rate by Country on the Internet.

²⁶N. Gregory Mankiw. “Defending the One Percent.” *The Journal of Economic Perspectives*. Summer 2013, Vol.27, No. 3, p.28.

²⁷Indra de Sousa and Krishna Chaitanya Valdamannati. “Free Market Capitalism and Societal Inequities: Assessing the Effect of Economic Freedom on Income Inequality and Equity access to Opportunity, 1990-2017,” p.22.

²⁸Nancy Birdsall, “Why Inequality Matters: The Economic issues.” *Economics & International Affairs*. 2001, Vol. 15, Issue 2, p. 9.

²⁹Finis Welsh. “In Defense of Inequality,” *The American Economic Review*, 1999, Vol.89, No.2, p.16.

and “Paris is worth a Mass.” Following Nancy Birdsall,³⁰ how much this currently means? So, the current passionate attack on economic inequality, presented by differences in income and wealth, is the wrong message. This is an erroneous message because it sees reality out of the current time and sends readers in the wrong direction of disincentives.

Capitalism is the economic system that brought – and keeps delivering - unbelievable prosperity to many societies, starting with the West and going to Asia and Africa. Historically there was a unified inequality based on caste or class, but capitalism undermined it with money. The selling indulgences in middle-aged Europe was supposed to equalize a villain to a virtuous person.

The elevation of wealth itself is famously illustrated by the French revolution, which started as a third Estate revolt. Not only the level of material well-being, the Great Enrichment brought by capitalism, but opportunities for new pursuits, attract people from everywhere to the West, and further - to one of the most unequal societies – the United States of America.

Inequality of income would matter less, and be more acceptable, if economic or political change were generating more opportunities and thus more mobility, including mobility that is *downward*. This may be the explanation for voters’ continued endorsement of *market reforms* in Latin America and Eastern Europe (even if inequality remains high in Latin America and has substantially raised in Eastern Europe) – that the reforms are creating new opportunities in more *meritocratic* systems, and market signals are perceived to *reward hard work, innovation, and talent* more fairly than more centralized and statist economic system did *meritocratic* systems, and market signals are perceived to *reward hard work, innovation, and talent* more fairly than more centralized and statist economic system did.²⁹ (Before WWII, the richest Americans were overwhelmingly rentiers deriving most of their income from *wealth holdings, mainly in the form of dividends*. (...) In contrast, in 1998 more than half of the very top taxpayers drive a major part of *their income in form of wages and salaries*. Today, “working rich,” celebrated by Forbes magazine, have overtaken the coupon-clipping rentiers.”³¹

According to Martin Feldstein, *the increase in high incomes has been the result of four principal factors*.

First, there are more individuals with advanced education and enhanced marketable skills, and market forces reward these high skills relatively more than they did in the past. (...) Second, entrepreneurial activities are on the rise (...) Third, high-wage individuals work increasingly long hours. We all know about investment bankers, lawyers, and other highly paid professionals who are now working 70 or more hours a week, twice the weekly hours of a typical employee. (...) Finally, declines in the costs of capital, reflecting an improved fiscal outlook and perhaps “a decrease in perceived financial risk as a result of lower inflation, translate into higher stock and bonds prices...” Each of these

³⁰Nancy Birdsall, “Why Inequality Matters: The Economic issues.” *Economics & International Affairs*. 2001, Vol. 15, Issue 2, p. 10.

³¹Thomas Piketty and Emmanuel Saez, “Income Inequality in the United States, 1913-1998,” *The Quarterly Journal of Economics*, Vol. 118, No.1, 2003, p.17.

four sources of higher incomes for those at the upper end of the distribution is, M. Feldstein would argue, “a good thing. They add to the income of those individuals without reducing the incomes and wealth of others.”³² The problem of *low human capital* as a source of poverty is not just a matter of schooling and training but also low cognitive ability. (...) This is not a fashionable view. Americans like to think that all men and women are quite *literally created equal*, and that education can therefore solve the problem of human capital and low earnings. Unfortunately, however, very low cognitive ability is likely to be a serious cause of poverty that cannot be remedied by education and training. “Only when this fact is accepted, it will be possible to develop appropriate new policies. Under fresh impression from the change of the British government from Boris Johnson to Liz Truss to Rishi Sunak, Kit Malthouse wrote: “The dynamic economy is one where capital seeks out ideas and takes risks to create wealth.”³³ Looking from the perspective of time and space, inequality has a dynamic: some people or institutions do faster than others; some lag. The caste system keeps stability, the free market brings constant change, and the open society is in permanent fluidity.

When Inequality is Unfair

The focal point of Inequality is - and should be - reducing Poverty.³⁴ In course of economic and social development, the issue of poverty, which animated the quest for equality, went thru economic, political, and academic transformation.

The international poverty line was the universal standard for measuring global poverty.

Since 1990, more than 1.2 billion people have risen out of extreme poverty. By 2018, according to the world bank, 9.2% of the world (689 million) survives on less than \$1.90 a day.³⁵ Over the past 40 years, the number of people in China with incomes below \$1.90 per day – the International Poverty Line as defined by the World Bank to track global extreme poverty– has fallen by close to 800 million³⁵. However, inequality, again, is actual here; “countries, impacted by fragility, crises, and violence are home to about 10% of world population, but account for more than 40% of people living in extreme poverty. In India and the Philippines, and other 32 lower-middle-income countries it was \$3.20, in Brazil, South Africa, and other 32 upper-middle-income countries it was \$5.50. For comparison, in the U.S. this number was \$35.28 per day, or 12,880 a year.³⁶

The pre-war poor scholars in Oxford did not usually suffer from under-

³²M. Feldstein. “Reducing Poverty, not Inequality.” *Public Interest*, fall 1999, p.33.

³³Kit Malthouse, “The Telegraph,” 10.29.2022.

³⁴As Martin Feldstein published 23 years ago - “Reducing Poverty, not Inequality,” *Public Interest*, Fall 1999.

³⁵Andrea Peer, 03.23.2021, World Vision. Org.; (<https://worldbank.org/en/topic/poverty/overview>) or 69 million people; Covid-19 drove an additional 97 million into extreme poverty in 2020.

³⁶Four Decades of Poverty Reduction in China: Drivers, Insights for the World, and the Way Ahead” (World Bank Report-01.04.2022).

nourishment, but their poverty did prevent them from living the normal life of undergraduates and could be objected to on those grounds alone. Not only bread but Nescafe and books are necessary for university life – *of social existence rather than bare physical existence*.³⁷

Relative poverty is a household income, typically 50%-60% of the median income of the country. Looking at Chili, fresh after the Constitutional referendum, the poverty rate is 10%, looking at Brazil fresh from the Presidential election, we can see inequality of demographic groups- \$1.9 a day – 0.7%; \$3.2, - 1.7%, urban poverty rate -12.4%; rural poverty -27.9%; Chili national poverty line was 10.8. In the US, in 2020 it was 12.9% for women and 10.6% for men; Native American 25.4, Black 20.8%, Hispanic - 17.6%, White and Asian -10.1%. And everyone has somebody above to feel inequality.

Current societies have elaborated – and keep testing - a special institution, Universal Basic Income.³⁸

UBI Pros: reduce inequality, poverty, and homelessness; encourage socially beneficial task as old age care; encourage individuals to take risks and set up businesses.

UBI Con: could encourage laziness, could discourage part-time work; cost more than current benefits system leading to higher taxes; higher income taxes could lead to disincentives to work; could lead to welfare support for ‘undesirables’ like criminals.

The issue reverberates in the current political life, beyond academia, in the 2020 connection with Liz Truss in the U.K. or Georgia Melony in Italy.

“Rather than handouts lie Universal Basic Income, - declared Liz Truss on March 19, 2019, on Twitter- people need The Universal Basic Infrastructure of life – a good education, a good home with fast internet, and good transport to a good job.”

The Citizen’s Income was a policy introduced in Italy by the populist Five Star Movement and the far-right *Lega* coalition government in 2018. It provides a conditional minimum income of €700 a month and was designed to tackle poverty both by supporting people and getting them into work. As opposed to a universal basic income, only those who can prove that their total household income is below the poverty line qualify for support. Recipients must also attend employment centers and take up a career path. Three million Italians benefit from the subsidy, 70% of which reside in Southern Italy – a testament to the inequality that affects the peninsula. The Italian statistical office ISAT estimates that the Citizen’s Income has lifted one million Italians out of poverty.³⁹

The Swiss initiative of UBI proposed to grant every person in Switzerland a certain amount of money each month, regardless of how much money they earn or

³⁷J. R. Lucas. “Against Equality.” *Philosophy*, 1965, Vol.40, No.154, p. 302.

³⁸Sigal Samuel.” Everywhere basic Income has been tried, in one map.” www.vox.com/future-perfect/2020/32/19/21112570/universal-basic-income-ubi-map. www.vox.com/future-perfect/2020/32/19/21112570/universal-basic-income-ubi-map. See also: Joi Ito. The Paradox of the Universal Basic Income-<https://www.wired.com/story/the-paradox-of-universal-basic-income/WIRED>.

³⁹Ugo Realfonzo.” Citizen’s Income: Will southern Italy spoil the right's election hopes?” “The Brussels Times, 23 September 2022.

how wealthy they are. The exact amount would have been determined by the Swiss Parliament. The initiative proposed to grant every person in Switzerland a certain amount of money each month, regardless of how much money they earn or how wealthy they are. The exact amount would have been determined by the Swiss Parliament. On June 5, 2016, Swiss voters rejected by a vote of 76.9% to 23.1% the initiative “For an Unconditional Basic Income.”⁴⁰

According to Arthur Okun, we can use the government’s system of taxes and transfers to move from rich to poor, but the system is a “leaky bucket.” Some of the money is lost as it is moved. This leak should not stop us from trying to redistribute, because we value equality⁴¹. But because we are also concerned about efficiency, the leak will stop us before we fully equalize economic resources.” The social planner wants to move economic resources from those with high productivity and low marginal utility to those with low productivity and high marginal utility.”⁴²

W. Korpi and J. Palme argue that social insurance institutions are of central importance to redistributive outcomes. Institutional differences lead to unexpected outcomes and generate the “paradox of redistribution: *The more we target benefits at the poor and the more concerned we are with creating equality via equal public transfers to all, the less likely we are to reduce poverty.*”⁴³

When social policy programs are directed primarily to those below the poverty line, there is no rational base for a coalition between those above and below the poverty line. (...)Thus, an institutional welfare state model based on a *universalistic strategy* intended to maintain normal or accustomed standards of living is likely to result in *greater redistribution than a marginal one based on targeting.*

Thus, comparatively unequal public pensions might “produce the most *equal* outcome distribution by crowding out even more *unequal* income sources”⁴⁴ How can we not remember the idea of compromise?

When Equality is Inequitable

In Peru, as in much of Latin America in the 1980s and 1990s, a significant number of people were able to *exit poverty*. Yet a similar number of people fell into poverty at some point. (...)In Russia in the 1990’s downward mobility into

⁴⁰*Vorlage Nr. 601, Vorläufige amtliche Endergebnisse* [Proposal No. 601, Preliminary Official Results], Schweizerische Bundeskanzlei [Swiss Federal Chancellery] website (June 5, 2016.)

⁴¹Arthur M. Okun. Equality and Efficiency. The Big Tradeoff. The Brookings Institution. Washington D.C. 1975.

⁴²N. Gregory Mankiw.” Defending the One Percent.” *The Journal of Economic Perspectives*. Summer 2013, Vol.27, No. 3, p.26.

⁴³Walter Korpi and Joakim Palme. “The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, inequality, and poverty in Western Countries.” *American Sociological Review*, 1998, Vol.63, pp. 661-687.

⁴⁴Walter Korpi and Joakim Palme. “The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, inequality, and poverty in Western Countries.” *American Sociological Review*, 1998, Vol.63, p. 664.

poverty was the norm rather than the exception for large *numbers of people, and poverty increased at an unprecedented rate*. In both contexts, a higher rate of mobility and volatility have been coupled with the globalization of consumption standards and the scaling back of public social insurance.⁴⁵

In Russia, they have data from a recent household survey from 1995 to 1998, a period of *extensive* macroeconomic volatility (interviews of over 10,000 individuals or around 3,800 households every year. Results on perceptions were like respondents in Peru, although the negative skew was stronger in Russia: 72% of those with income gains of 100% or more had negative assessments, and 76% of those with income losses accurately assessed their trajectories.⁴⁶ At the same time, approximately 55% of the persons in the Mexico representative sample could be considered poor according to traditional measures of poverty used by the Mexican Social Development Secretariat; however, less than 5% declared having a not happy life. Almost 90% of those surveyed declared that their life is either happy or very happy.⁴⁷ (...) There are persons in the lower quintiles of *expenditure* who state that most (10.7%) or all of their needs are being satisfied (5.5%) while almost 40% of persons in the highest quintile say that their income is insufficient (39.9%) or very insufficient (18.7%) to satisfy all their material needs.⁴⁸ Between 1958 and 1987 real per capita income in Japan multiplied a staggering five-fold, propelling Japan to a living level equal to about two-thirds that of the U.S. (...) Despite these unprecedented three decades of advances in the level of living, there was no improvement in subjective well-being.

Although the mechanism by which an increase in neighbors' earnings reduces happiness is hard to identify precisely, the author E. Luttmer finds that increasing neighbors' earnings have the strongest negative effect on happiness for those who socialize more in the neighborhood. (...) The size of the effect is economically meaningful. An increase in neighbors' earnings and a similarly sized decrease in own income each has roughly the same negative effect on well-being.⁴⁹

A similar case is known as the "tunnel effect. "Suppose that I drive through a two-line tunnel, both line goes in the same direction, and run into a serious traffic jam. (...) After a while, the cars in the right lane began to move. Naturally, my spirits lift considerably, for I know that the jam has been broken and that my line's turn to move will surely come any moment now. Even though I sit still, I feel much better off than before because of the expectation that I shall be soon on the

⁴⁵Carol Graham and Stefano Pettinato. "Frustrated Achievers: Winners, Losers, and Subjective Well-being in the New Market Economies." *Journal of Development Studies*, April 2002, p.10.

⁴⁶Carol Graham and Stefano Pettinato. "Frustrated Achievers: Winners, Losers, and Subjective Well-being in the New Market Economies." *Journal of Development Studies*, April 2002, p.19.

⁴⁷Rojas, Mariano. Well-being and complexity of Poverty: A Subjective well-being approach.2004. WIDER Research Paper No.2004/29 (WIDER=World Institute of Development Research), Helsinki, p.6.

⁴⁸Rojas, Mariano. Well-being and complexity of Poverty: A Subjective well-being approach.2004. WIDER Research Paper No.2004/29 (WIDER=World Institute of Development Research), Helsinki, pp.12,14.

⁴⁹Erzo Luttmer. "Neighbors as Negatives: Relative Earnings and Well-being." *The Quarterly Journal of Economics*. 2005, Vol.120, No.3, p.990.

move.⁵⁰ Neighbors in your situation finally find a job or get a raise, and you start thinking that your turn is coming.

Ed Diener and his colleagues found that it is a perception of differences *rather than objective* differences in circumstances that have negative effects on happiness.⁵¹

As Thomas's Theorem reads: If men define situations as real, they are real in their consequences.⁵²

For example, the actual pay ratio of CEOs to unskilled workers in the U.S. is **354:1**, but Americans report an ideal ratio of **7:1** (This is important data for seeing the difference between inequality, let's say, professions and their size in different societies - a big one in r Philippines, small in Sweden. - V.K.) In research with more than 5,000 Americans, people dramatically underestimate the current level of wealth inequality, and they wanted greater quality than even these estimates. (...) American believes that the richest 20% had about 60% of the wealth they wanted them to have about 30%, and, they have 85%... On the other end, Americans estimated that the poorest 20% had about 4%, they wanted them to have 10%, and in reality, they have 0.1%.⁵³

The study was based on International Social Survey Program (SSP) 1987 and 1992, including *Poland, Hungary, Australia, West Germany, Great Britain, Netherlands, and the USA* – around 1,000 cases in each country.⁵⁴

The importance of relative differences depends in part on social norms, which are different in different societies. While examining the legitimate hierarchy of occupational earnings, it appears that the order in which the public ranks the occupations is largely the same in all countries and both periods. Unskilled workers, farmworkers, skilled workers, and owners of a small shop have been placed at the bottom of the income hierarchy (in that order), doctors in general practice, cabinet ministers, and the chairman at the top. (...) However, according to Australians and Americans in 1987, cabinet ministers should earn less than doctors, and this was still so five years later, in 1992. (...) The most striking difference between *state-socialist and market* societies is found in the relative position of a doctor in the hierarchy. In state-socialist societies, a doctor is *not esteemed* as a high-status profession. A doctor was supposed to *earn less than* the owner of a small shop (except for *Hungary* in 1987). Furthermore, people in state-socialist societies generally think that the chairman should earn *less than* the

⁵⁰Albert O. Hirschman and Michael Rothschild. "The Changing Tolerance for Income Inequality in the Course of Economic Development." *The Quarterly Journal of Economics*, 1973, Vol.87, No. 4, p.545.)

⁵¹Ed Diener, Ed Sandvik, Larry Seidlitz, and Marissa Diener. "The Relationship Between Income and Subjective Well-being." 1993, Vol.28, pp.195-223.

⁵²Thomas, William. "The Definition of the Situation," in *Self, Symbols, and Society: Classic Readings in Social Psychology*, Nathan Rousseau (ed), 2002, Lanham, MD: Rowman & Littlefield, pp. 103–115.

⁵³Michael I. Norton. "Unequality: Who Gets What and Why It Matters." *Policy Insights from the behavioral and brain sciences*, 2014, No.1, p.153.

⁵⁴Gijsberts, M., "The legitimation of Income Inequality in State-socialist and market societies." *Acta Sociologica*, 2002, Vol.45, p.273.

cabinet minister, whereas in market societies this is sharply the converse. Finally, in *Poland* (a country with a large agricultural labor force) people think that farmworkers should earn more than skilled workers. Moreover, it is indeed the case that low-status occupations are on average thought to deserve *higher earnings in state-socialist than in market societies*. This would seem to be a consequence of the communist ideology which privileges manual work over non-manual work.⁵⁵ The data came from Social Survey Program and other projects: there are 18 representative national samples (23,260 in six Central-East Europe nations and 39,956 from 32 Western Nations). Authors argue (1) that the transition from a socialist economy to a free market economy should increase normative support for income inequality; (2) that to the extent that people perceive differences in pay actually to be large, they will believe in more inequality to be morally legitimate; and (3) that normative support for income inequality will be higher among better-educated people and among those on higher status jobs (that is fully compatible with our theoretical expectation-these are people who use the opportunity for advancement the free market provides: work better, work longer, work inventively, using opportunities and brave the risk – V.K.)

According to the authors, the normative change did *not arise* from socioeconomic or demographic change in population structure but in large part from perceived changes in actual income inequality.⁵⁶ Accepting a free market provides a strong ground for also accepting its varied consequences. These include competition; minimal government regulation; relatively free trade; the rule of law; willingness to let employment in uncompetitive industries decline and to *let weak firms expire*; provision of health and welfare benefits by the government or by the firm (so job losses don't imply destitution); and many others. Authors argue that *income inequality is one of the free market's inevitable consequences*: it is both a pre-requisite for a free market – motivating workers to invest in training and to work hard - and *a consequence of the free market* – arising out of differences in workers' resources, effort, talent and luck.⁵⁷ Instructive examples are given by NEP in Soviet Russia after War Communism⁵⁸ and the economic Miracle on the ruins of Nazi Germany⁵⁹ - in both cases tree of life became green "overnight."

Data from ISSP from 34 countries surveyed at 4 different times show that populations of countries with more actual income inequality also tolerate more income inequality, even after controlling for numerous variables. (...) The

⁵⁵Gijssberts, M., "The legitimation of Income Inequality in State-socialist and market Societies." *Acta Sociologica*, 2002, Vol.45, p.276.

⁵⁶Jonathan Kelley and Krzysztof Zagorski, "Economic change and the Legitimation of Inequality: The Transition from Socialism to the Free Market in Central-east Europe." *The Shape of Social Inequality: Stratification and Ethnicity in Comparative Perspective: Research in Social Stratification and Mobility*, 2005, V.22, pp.319-364.)

⁵⁷Jonathan Kelley and Krzysztof Zagorski, "Economic change and the Legitimation of Inequality: The Transition from Socialism to the Free Market in Central-east Europe." *The Shape of Social Inequality: Stratification and Ethnicity in Comparative Perspective: Research in Social Stratification and Mobility*, 2005, Vol.22, pp.323.

⁵⁸Encyclopedia Britannica

⁵⁹Thomas W. Hazlett. "The German Non-Miracle. How a handful economists defied orthodoxy and produced the economic success story of the past quarter century?" *Reason*, April 1979, Issue 9, pp.33-37.

empirical results of this study show that people in low-inequality countries tolerate that a doctor and a chairman earn about 3 times what an unskilled worker should earn, whereas people in otherwise similar high-inequality countries accept an analogous difference of 11-1.⁶⁰ Among generally good social conditions even at the bottom of society, “the relatively high wages, earned by physicians, scientists, and university professors (??) have attracted many immigrants to the US. Would we be better off if they had not immigrated? (...) Finis Welsh contends that *growing inequality has created opportunities* that have been exploited by many and that the gains are not restricted to the traditional elite. Moreover, when we have adopted *policies to mitigate the downside of increasing inequality, which is falling real wages in the lower parts of the distribution, a surprising number of individuals have also capitalized on those opportunities, in ways that are not productive.*⁶¹

Meritocracy is a historically progressive social arrangement because more than any other social arrangement it opens to people at the bottom of society a path to social success, including a formal recognition, accompanied, in most cases, by financial benefits. However, “What is the purpose of abolishing inequalities in nurture except to reveal and make more pronounced the inescapable inequalities of Nature?”⁶²

Inequality produced by the free market reflects the growth of meritocracy in its broadest understanding – as a reward for ability and efforts, not restricted – at least officially - by social classifications based on race, ethnicity, gender, or citizenship. Traditionally, meritocracy gets restricted support because hope for a minority supported by the majority would be understandably a false hope. However, this is not a highbrow minority flourishing on high tide, based on quite trivial things like the social quest for ability and effort. Let's say, *this is the rule of merit without meritocracy*. Speaking about equality and inequality alike we must pay attention to what *level* the country is at – developed or developing – and what kind of capitalist we see – rentiers or high-tech workaholics. High tide brought by the Great Enrichment raised all boats, although at different levels, but the lowest one – enormously. If economic growth *lifts all boats* and the policies most likely accelerate it are not based on blocking others from accessing opportunities, then economic freedom must surely be.”⁶³ [some people] argue that even when the playing field is level, growth can increase inequality, simply because the rich can take advantage of market conditions better than the poor does to advantages, such as better access to capital and knowledge (Sure-V.K.) Arithmetically, a person with a dollar earns an extra cent for every 1% of growth, but a person with \$100 in hand earns an entire dollar. (...)The poorest, nevertheless, are still better off with growth because their absolute income increased. In other words, growth is “Pareto

⁶⁰Martin Schroder. “Is Income Inequality Related to Tolerance for Inequality?” *Social Justice Research*, 2017, Vol.30, p. 41 (It was written in 1999!)

⁶¹Finis Welsh. “In Defense of Inequality,” *The American Economic Review*, 1999, Vol.89, No.2, p.1.

⁶²Michael Young, “The Rise of Meritocracy,” 1994 by Transaction Publishers, New Brunswick, New Jersey, 1999, p. 96 (originally published in London: *Thames and Hudson*, 1958).

⁶³Indra de Sousa and Krishna Chaitanya Valdamannati. “Free Market Capitalism and Societal Inequities: Assessing the Effect of Economic Freedom on Income Inequality and Equity access to Opportunity, 1990-2017,” p.4.

optimal.” [This is an unavoidable exchange well-known as a compromise, which frequently comes to life in democracy with a multiparty system, as building a coalition - V.K.]

According to the 1958 book “The Rise of Meritocracy” by *Michael Young*, ‘now that people are classified by ability, the gap between the classes has inevitably become wider. The upper classes are, on the one hand, no longer weakened by self-doubt and self-criticism. Today, the eminent know that success is just a reward for their capacity, efforts, and undeniable achievement. They deserve to belong to a superior class.’⁶⁴

Inequality produced by the free market reflects the growth of meritocracy in its broadest understanding – as a reward for ability and efforts, not restricted – at least officially - by social classifications based on race, ethnicity, gender, or citizenship. Traditionally, meritocracy gets restricted support because hope for a minority supported by the majority would be understandably a false hope. However, this is not a highbrow minority flourishing on high tide, based on quite trivial things like the social quest for ability and effort. Let's say, *this is the rule of merit without meritocracy*. Speaking about equality and inequality alike we must pay attention to what *level* the country is at – developed or developing – and what kind of capitalist we see – rentiers or high-tech workaholics. High tide brought by the Great Enrichment raised all boats, although at different levels, but the lowest one – enormously. “Not so long ago a country like Britain or Japan was \$ 3 a day poor. Real income per person has by now increased roughly \$100 a day, -wrote Dierdre Hansen McCloskey. - That is, even when mastered conventionally the increase of income per head in real terms since 1800 has been on the order of a factor of 20 or 30. Allowing for radical improvement in the quality or cost of most goods (lamps, writing instruments) and some services (medicine, travel), not well captured in conventional price indices, it has been upwards of a factor of 100. These are not controversial figures, not their orders of magnitude. What economists chiefly need to do – and neo-institutionalists claim to do – is to explain such a *Great Enrichment*, at a factor since 1800 in real terms per person of 20, 30,100.⁶⁵

So, let's stop barking at the moon, and follow Dierdre Hansen McCloskey instead: “The Rich women got another bracelet, but poor women got enough to eat.”⁶⁶

Speaking about the lowest economic level reached by so-called developed, or capitalist, societies, the Great Enrichment is the second-most-important secular event in human history. (The domestication of animals and especially of plants was the first, yielding cities and literacy.) The growth rates of 1.4 and 2.0 percent since 1800 sound small. But a compounded year on year over a century or two, they have been transformative. Something growing at 2 percent a year will in a

⁶⁴Michael Young, “The Rise of Meritocracy,” 1994 by Transaction Publishers, New Brunswick, New Jersey, 1999, p. 96.

⁶⁵Dierdre Hansen McCloskey. “Max U versus Humanomics: a critique of neo-institutionalism.” *Journal of Institutional Economics*, 2016, Vol.12, No.1, p.5.

⁶⁶ The Great Enrichment (<https://www.discosmagazine.com/author/dierdre-mccloskey/>) July 13, 2020.

century increase by a factor of about eight. On present expectations by the World Bank, the recent level of 2 percent growth of real income per year per head worldwide (COVID-19 excepted) will in a few generations—if the virus, pollution, war, and tyranny do not intervene—bring everyone on the planet to a level of prosperity well above that enjoyed now in Western Europe. But opportunities for new pursuits attract people from everywhere to the West, and further - to one of the most unequal societies – the United States of America.

Socialism now diminished its spell to Cuba, Venezuela, Vietnam, the Democratic People's Republic of Korea, or maybe China, and is beset with a difficult dilemma. On the one hand, socialist movements have been motivated by an ethical ideal – that of *equality*. They have been powered by *a deep hatred of inequality*, and have aspired to create more. On the other hand, the very passion that has been mobilized against oppressive inequality transforms easily into envy, the envy of a particularly destructive sort.

Karl Marx himself was quite aware of this dilemma. (What was reflected in so-called “crude communism”), that, in his words, ‘aims to destroy everything which is incapable of being possessed by everyone.’ (...) As a matter of fact, this crude communism, Marx suggests, is worse than capitalism. Under capitalism envy motivates many people to strive to raise themselves to the level of wealthy people, whereas, under crude communism, envy motivates people to pull down those who have more,⁶⁷ showing destructive results in the tragedy of Kampuchea. So, from 1975 to 1979, 2 million Cambodians fell victim to the fight for... equality of not being able to count above 10. Almost all socialist societies have recognized the need for material incentives as a motivation for productive labor.⁶⁸

The market does not reward “rationally.” *Hard work* matters, but so does *luck*. Enterprises must take risks. Some risk risks payoffs, but some do not. Customers can be fickle. Tastes can change. Managers can mismanage. Promising technologies can fail. (...) The market is a powerful force. Properly utilized, it can be an instrument of real value, but improperly utilized, it can wreak havoc, as was seen in Eastern Europe’s transformation of the economy from State Planning to Market.⁶⁹

However, “Government has grown as a *percentage of the economy* not because it provides more and better roads, more and better legal institutions, and more and better educational systems. Rather, the government has increasingly used its power to take tax from Peter to pay Paul. Discussions of the benefits of government services should not distract from this fundamental truth.”⁷⁰

Veil of ignorance is a theoretical construction of a society, where to secure justice, nobody knows in advance his place in this society, his social status, and natural assets and abilities. According to J. Rawls, a society may justly employ the

⁶⁷David Schweickart. “On Socialist Envy.” *Theory: A Journal of Social and Political Theory*, October 1994, No. 83/84, p.37.

⁶⁸Amy Hewes, “Russian Wage Systems under Communism,” *Journal of Political Economy*, Apr. 1922, Vol. 30, No. 2, pp. 274-278.

⁶⁹David Schweickart. “On Socialist Envy.” *Theory: A Journal of Social and Political Theory*, October 1994, No. 83/84, p.38.

⁷⁰N. Gregory Mankiw. “Defending the One Percent.” *The Journal of Economic Perspectives*. Summer 2013, Vol.27, No. 3, p.31.

market as a part of its economic structure, so long as the resulting inequalities work to the benefit of the least advantaged strata.⁷¹ Writing in 1994, David Schweickart thinks, inequalities don't betray basic socialist commitments so long as they serve to motivate producers to produce more efficiently, and so long as the gains thus registered transfer in part to the least advantaged strata. "Under such circumstances, Envy is a vice – understandable, perhaps, but not excusable."⁷²

In many respects, the China communist regime's accomplishments under Mao were impressive, especially in the 1950s. Yet during the *final decade of Mao's* life, Beijing's leadership split apart, the economy encountered growing problems, and the Cultural Revolution again brought China close to disintegration. For a brief period during the mid-1950s China had appearing to be entering a post-revolutionary period of stability and sustained growth but by the end of that decade Mao, pursuing *his personal vision of an egalitarian society*, pressed again for radical policies, and called for "uninterrupted revolution." The Great Leap Forward in the late 1950s resulted in a disastrous economic depression... The final climatic year of the Maoist period, 1976, was one of successive tragedies and disasters. In mid-year China suffered one of the most disastrous earthquakes in its history, assigning, in the view of some tradition-minded Chinese, that the leadership had *lost its "mandate of heaven."*⁷³ In 1978 Deng mounted a major campaign to abandon *ideological dogma and to adopt pragmatism – symbolized by the slogan "practice is the sole criterion of truth" and seek truth from facts.*" By the end of the year, he persuaded the party to give the highest priority to *economic development instead of class struggle* and to adopt "open door" policy toward the world. (...) By the 12 Party Congress in September 1982, Deng was in full command. In difference to Mao, Deng has steadily delegated to others. It is certainly possible that in the long run *one-man rule* which has been the traditional pattern in China could reemerge⁷⁴ (written in 1986!) (...) A major effort has been made to reduce the direct intervention of the party in a specialized field. More than one million senior cadres recruited before 1949 have retired, and 44% of leading officials at the provincial level and close to half at the prefectural level have been replaced.⁷⁵ Beijing's present leaders probably hope to avoid either an uncontrolled growth of pluralism or a return to more repressive totalitarianism. (Growing corruption, nepotism, and *inequality* have evoked considerable criticism⁷⁶ (...) The aim of enterprise reform has been to create stronger incentives to increase productivity and to make enterprises accountable for profits and losses.⁷⁷

At the 14th Congress of the CCP held in 1992, the Chinese Government announced that *the establishment of a market economy was the goal of the reform. As a result of these changes over 20 million government officials, professors,*

⁷¹John Rawls. *A Theory of Justice*, The Belknap Press, Harvard University Press, 1973, p.12.

⁷²David Schweickart. "On Socialist Envy." *Theory: A Journal of Social and Political Theory*, October 1994, No. 83/84, p.39.

⁷³A. Doack Barnett. "Ten Years after Mao." *Foreign Affairs*, 1986, Vol. 65, No.1, p.38.

⁷⁴A. Doack Barnett. "Ten Years after Mao." *Foreign Affairs*, 1986, Vol. 65, No.1, p.44.

⁷⁵A. Doack Barnett. "Ten Years after Mao." *Foreign Affairs*, 1986, Vol. 65, No.1, p.47.

⁷⁶A. Doack Barnett. "Ten Years after Mao." *Foreign Affairs*, 1986, Vol. 65, No.1, p.52.

⁷⁷A. Doack Barnett. "Ten Years after Mao." *Foreign Affairs*, 1986, Vol. 65, No.1, p.59.

researchers, and workers quit their state jobs and went to private business⁷⁸. Deng Xiaoping never said, “To get rich is glorious.” But he said several times that some people should be allowed to get rich before others. And some have, to the annoyance of others.⁷⁹ For the first time in 12 years, China this month officially reported its Gini coefficient for income inequality for 2012 and retrospectively for the past decade. Zero means perfect equality and 1.0 means one person takes all. China scored **0.474** for 2012, having picked at **0.491** in 2008.⁸⁰ This is higher than – sure, Sweden or Japan but surprisingly – even the U.S.

Despite being technically a “communist” country, the government of China had put its faith in trickle-down economics, believing that allowing some people to become extremely rich would benefit all of society by dragging it out of the disastrous quagmire of Chairman Mao's Cultural Revolution as quickly as possible. To an extent it worked. A large middle class has emerged and people in virtually all strata of society now have better living standards as a result.

From the stagnation of the 1970s, China has been thrust to the top of the pile, now challenging the United States for global economic dominance. But it left a chasm of income disparity strengthened by the ‘get-out-of-jail card’ for the Party members. The concept of socialism “with Chinese characteristics” allowed the government philosophical leeway.

General Secretary Xi Jinping appears to have decided that this is no longer acceptable. The report points to some lessons for other countries from China’s experience, including the importance of a focus on education, an outward orientation, sustained public investments in infrastructure, and structural policies supportive of competition.⁸¹ Along with listing among national achievements of outward orientation and structural policy of competition, “the Chinese government, under his leadership, has started putting the Communists back in the Communist Party, at least to some extent.”⁸²

So, yes, Inequality eternally touches the human consciousness as an unjust phenomenon that must be eliminated. However, despite many attempts, including bloody revolutions, it persists as gender and race discrimination, even in its oldest form – slavery. Beyond these extreme cases, inequality is natural whereas equality is artificial.

People fight for inequality that is unfair dismissing cases when equality is inequitable. However, in symbolizing the victory of envy over compassion fight over wealth goes on.

Like the interaction of Yin and Yang, cosmic powers in Chinese mythology, inequality reflects the dynamic of social life. Economic equality, if achieved, put

⁷⁸Hongxing Yang and Dingxin Zhao. “Performance Legitimacy, State Autonomy and China Economic Miracle.” *Journal of Contemporary China*, 2015, Vol.24, No.91, pp.64-82.

⁷⁹The Economist, January 26th, 2013, p.28.

⁸⁰According to the Economist, many skeptics (and some substantial research) suggest China’s inequality is actually far greater. Whatever the true level, the decision to release the data now shows somebody in the new leadership is paying attention (The Economist, January 26th, 2013, p.28).

⁸¹Four Decades of Poverty Reduction in China: Drivers, Insights for the World, and the Way Ahead.

⁸²Stephen McDonnell “Under Mr. Xi's leadership, China is returning to its roots: a state-controlled economy, *BBC News*, Oct 17, 2022, Beijing.

the economy at a standstill, in the condition of entropy.

Here goes an old scholarly joke that highlights the issue, raised by Thomas Piketty, Jonathan Mijs, and others who think alike – if theory collides with life, it's worse for life.

Conclusion

This study allows us to formulate the social law of equality: Equality is inequality transformed by justice.

Explanatory notes:

1. Inequality is primary, or as natural as a forest, but equality is secondary or as artificial as an English park.
2. Justice is relative to history and culture so even the caste system, racial and gender segregation, or the principle ‘from each according to his ability, to each according to his needs,’ in certain places and times, might be accepted as a fair social arrangement.