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Inequality and poverty



Sources: The rocket to the moon [Image: Antonio Berni, The world promised to Juanito Laguna]

Argentina's inflation demands public intervention to repair wages and stabilize prices

Inequality and poverty, fundamental concepts of the economy, are the subject of intense debate in society. Along with prices and wages, they are the categories that go far beyond the field of academics to occupy central places in the political and social discussion, of popular interest because they constitute daily and immediate factors regarding living conditions.

In the differences with respect to the determinants and solutions for inequality and poverty, also with respect to historicity or not, their naturalization or not and the policies

to narrow them, which involve the degrees of intervention of the State, there is a strong theoretical dispute between the currents of economic thought and the social sciences in general. It is in this litigation that the claims of neutrality that the hegemonic tendencies that today dominate the academic field fall.

Classical economists have argued that in capitalist society the process of production is organized into social classes:

- Those who have no means of production and receive a salary,
- Those who are possessors of naturally limited goods – the most important being land – and collect an income when they give it up in use for economic activity,
- The holders of capital, which mutates between its form money to its forms of facilities and machines and inputs of the productive process, paying – in addition – wages and rents, because they organize and direct the production process.

The classics call as social classes these three different positions that are assumed in production by the different conditions of owners and the popular majorities that are not owners. David Ricardo (whose thought had an enormous impact on the relations between the British industrial metropolis and the agricultural pampas of Rio de Janeiro) takes the distribution of income between these three classes as a central object of study when he gives the definition of Political Economy. Adam Smith works with the idea that the results of production are distributed among three social classes: the landlords, the capitalists and the workers.

In *Capital*, which the author subtitles as *Critique of Political Economy*, Karl Marx holds the analysis in terms of the same three social classes, but introduces fundamental conceptualizations such as:

- That the condition of non-owners of means of production – of the workers – constitutes them in a subaltern relationship with respect to the propertied classes. This difference in itself constitutes inequality.
- The idea of subsistence wage, which holds that workers will not receive more than the goods necessary for their life and the reproduction of it in their descendants. It does this by differentiating conditions from the physical subsistence wage and those of social subsistence. This last concept gives historicity to the goods necessary for the daily life of workers. That salary would be the one that non-owners would end up receiving, because the employment contracts signed with the employers in the labor market would be agreed under conditions of inequality, with a clearly different power and pressured by an always surplus supply of labor; Marx calls this excess of manpower a reserve army.

– The author says in the prologue to the first edition of the work that "today's society is not an unalterable crystal, but an organism subject to change and constantly in the process of transformation".

The transformation of the "new economy"

The marginalist and neoclassical currents constitute the unmodified theoretical basis, in their basic substance, of those who profess the economic policies that neoliberalism sustains.

The class organization of capitalist society disappears in the neoclassical language. Economic agents appear as subjects with their individuality. The provision of labor, capital and land is carried out by different agents. The company that faces the production process is made of them by buying them from the agents. This conceptual turn produces a linguistic shift, calling that work, that capital and that land as factors of production. The difference between social classes is veiled, as these are objectified in *factors*.

From its analytical development, neoclassical theory aligns factor prices with their marginal productivity. That is, with the change in the total income of the company that would produce the addition of one more unit of land, capital or labor. It maintains that this adjustment is produced by mercantile mechanisms, typical of the functioning of the economic system. That the well-being of the agents will come from the best organization of the markets and from respecting that the prices of the same remain free and without institutional interference so that the economy develops. In terms of theoretical discourse this is designated as endogeneity of income distribution, and any violation that seeks to interfere with it takes the economy away from the point of maximum well-being.

The intellectuals of the Mont Pelerin Society argued that policies of substantive equality restricted individual freedom, and only admitted those that were limited to equality before the law. The theory of the currents of the neoliberal *mainstream* justifies from the model of the now called Microeconomics the dispensing with an active income policy by the State.

Three other aspects that are at the theoretical basis of the new economy are:

- The trend towards full employment that would result from the conditions of free competition.
- The autonomy of technology in the face of economic development. In theoretical terms, its exogeneity. Permanent technological change does not arise as a result of the competition between the capitalists of the different firms to obtain competitive

improvements and determined only by the logic of profit, but would be introduced from fields of research.

Changes in the technology of production are determinants of changes in factor prices, of their optimal combination for producing, and therefore of the distribution of income. This would be an issue affected by technology.

Keynesian criticism

Keynes questions the natural tendency to equilibrium posed by neo-liberalism. Keynesian sides conceive of the need to combat recessionary tendencies and unemployment with wage increases that progressively redistribute income. As the economic surplus is saved by the owner sectors, the transfer of income to the workers who turn it massively to consumption would cause the increase of demand, and therefore of production to satisfy it and, as a consequence, of investment. The logic of the anti-crisis theory is completed by the claim of autonomous spending by the State as a driving force to raise the level of activity and employment. It is the description of a virtuous circle that results from the deployment of policies that require state intervention and that include affecting the distribution of income. The economies of European welfare and the deployment of popular governments in the periphery implied the assumption of these perspectives, among others.

The struggle of workers and trade unions

The Orthodox sides have always been refractory to trade union power. They say that the greatest risk is the presence of unique and powerful unions by productive branch, and fear that they will become "monopolies". In the academic texts of these currents, the concern of the monopoly of the workers can be seen much more insistently than that of the employers. The union will intervene in the formation of the wage and distribution externally, altering the level of the market and driving the wage above its equilibrium price, that is, above the marginal productivity of labor. High wages would reduce the demand for employment by companies. The reverse mechanism of Keynesian thought, which formulates the question of wages as a stimulus to consumption and therefore to production and employment, should be noted.

The organic intellectuals of the big businessmen of the economy see the salary as a cost, being the degree of internationalization of these and their positioning in key links of chains of production of goods – whose consumption is inalienable – which leads them to that biased look. On the other hand, SME entrepreneurs and some large companies whose production is mainly destined to the domestic market and in a range of items of different consumer behaviors, require the solvency of demand to be able to sell what they produce.

They know that wages are part of their costs, but also of the volume of production and sales they will have.

The welfare economies in the North and the popular governments in the peripheral-dependent countries have deployed institutions that put the state as the arbiter of wage negotiations. This definition implies the conformation of the distribution of income by extra-mercantile mechanisms. Which means the possibility of determining that distribution as a political definition of citizenship.

In reality, inflation, within the framework of a regime that assumes this type of determination, is the way of the business community to annul the social improvement that the establishment of collective labor agreements has meant. Both the views of the Marxians and the supporters of other strands of critical thinking regarding the conflicting interests between the bosses and the workers, some maintain the need for the class struggle and the others the state intervention to improve popular life. The same view Keynesians have regarding the social question but also about the need for short-term economic regulation to avoid the occurrence of cycles that harm the progress of the economy.

But it is explicit that, as stated in the note [Independence or Subordination](#), quoting Salama and Valier, it is the prices that express the pulse for profits of the business community. Therefore, the de-commodification of wage regulation requires another logic where the State has intervention in the conformation of prices. Especially at a time when there is inflation whose dynamic key is the recomposition of the rate of profit.

Argentina's current inflation demands that level of public intervention that repairs all wages with a substantial lump sum. That it also resolves a significant increase in the minimum living and mobile wage. Meanwhile prices should be stabilized and adjusted at their level by government action. A progressive redistributive shock is needed to substantially recover the share of wages in the composition of income.

Historicity

This wage recomposition with respect to the surplus appropriated by the business community is closely linked to the reduction of poverty and inequality. The concept of poverty is constructed with respect to living conditions, social relations, the development of the productive forces and the idea of a society of fellowmen. Poverty in today's world is not the same as it was three centuries ago. Today those who do not have running water, access to electricity, or to warm up in winter, or to the medicines they need, are undoubtedly poor. However centuries ago the richest had no possibility of solving many of these questions, because there was no development of the means to do so. Insulin is an

essential commodity for diabetics from the moment its existence and availability developed, for the poor and for the rich. Medical progress made it possible. Other goods such as computers, which were not essential from the beginning, with their application to everyday life in all its aspects also become indispensable for families to stop being poor. The human being is a social being, whose permanent condition is to live with dignity, that is, attending to the ideas of freedom and equality. It is never just a product of nature that comes into relationship with other individual human beings to form a society. Man does not constitute society but it constitutes him. Thus, human dignity is satisfied within the framework of a social and non-corporeal-individual logic. The basic needs are not only the bodily ones, nor are they always the same. Its perception and establishment correspond to the state of society and humanity in each historical epoch.

On the other hand, poverty is not independent of inequality. They are linked concepts. There are very unequal societies where precarious housing coexists, or lack thereof, or a level of rents in popular neighborhoods that consume a high part of the income of the most vulnerable and / or salaried sectors, and on the other hand a sector that owns mansions, with weekend houses, or owns a considerable number of uninhabited homes. Societies in which there are strong disparities in the conditions of access to health or decent clothing. Societies where recreation reaches one sector of its members and others do not, leading to the extinction of the notion of the like. They are so unequal that they constitute split societies, on the way to de-socialization. An inevitable course to escalate daily violence is the consequence of that partition. De-socialization is dehumanization. There is no Humanism possible in countries without a Project that combines the fusion between closing inequality gaps and eliminating poverty.

Source: <https://www.elcohetelaluna.com/desigualdad-y-pobreza/>

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