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The Limitations of Reductive Wealth Redistribution Strategies for Curtailing Inequality in the Era of Global Capitalism

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Abstract. Poverty and inequality are in all likelihood the most pernicious problems in contemporary life. They contribute greatly to a wide and diverse range of suffering, injustice, and social ills. They have existed since the incipient forms of society emerged, and have plagued nearly every society. They have provoked criticism and resistance across millennia and geographic regions, and were inciting factors for many revolutions and social movements. There is evidence that inequality is rising globally, with economic growth and global capitalism as the primary culprits. Marx's theory of infinite accumulation and Ricardo's scarcity principle relate inherent structural qualities of wealth in capitalism to inequality and divergence in income and wealth. Abundant evidence shows that inequality will continue to increase unless there are political and economic measures to oppose it, and that inequality has increased since industrialization. The aims of these strategies is to promote income convergence, usually via reforms to taxes, redistribution, or minimum wage. Two of the most prominent proposals to curtail inequality are Piketty's global tax rate and Standing's basic income. However, neither sufficiently accounts for structural limitations in capitalism, such as those described by Marx and Ricardo, as well as Piketty's study of greater growth rate of capital over income (r>g) and free market ideology. They fundamentally rely upon reductive redistribution and particularly money and income, which do not necessarily contribute to parity in wealth. In structural Marxism, inequality is created and perpetuated by the structural base and super-structure, and both must be somehow reformed or altered to achieve lasting and significant equality. In this paper, I approach inequality with this in mind, and propose a form of paternalism as a means of ensuring wealth redistribution achieves lasting equality..
Keywords. Inequality, Income convergence, Wealth redistribution, Global tax, Basic income, Equality, Structuralism, Paternalism, Capitalism, Structural barriers.
JEL. P19, I30, I38, D69, D63, A13, B14.

*Poverty in the social order stands out like a fungus upon the surface of decay. It arose almost with the gnawing of the first empty stomach. No doubt it became apparent as a phenomenon of life as soon as human society could be recognized as such. (*Robert W. Kelso, *Poverty*, 1929)

1. Introduction

Since the emergence of global capitalism and then neoliberalism, there has been an expansion of inequality throughout the world, and few policies or strategies have proved capable of reversing this pernicious tendency. The

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few exceptions, such as the New Deal or the transient increase in equality in the middle of the 20th century associated with the war, have not proved lasting. The most equal nations in history were those communist or socialist nations (FDR Germany, Slovak Republic, Czechoslovakia, Poland, Lithuania, Latvia, Hungary, etc.) that deliberately reformed or altered the structures and policies of the capitalist system. Currently, the few nations that have achieved relatively high levels of equality are the socialist nations of northern Europe (Denmark, Iceland, Finland, Norway, and Sweden) along with others like Austria, Belarus, Albania, Czech Republic, Slovakia, and Ukraine: All of which are at least partially influenced by historical ideas of socialism or communism, including those of equality, and have implemented certain policies to limit the profligate growth of capitalists and owners.

What creates inequality? Two theories explaining inequality are Marx's infinite accumulation and Ricardo's scarcity principle (Piketty, 2013). Together, these theories account for the historical tendency of wealth accumulation across a wide range of societies and time periods. They have both been supported by the evidence of increasing inequality in global capitalism and the divergence of wealth. Therefore, economic growth results in increasing inequality and divergence of wealth.

Kuznets developed a theory emphasizing a natural progression toward equality associated with economic growth of a society. The factors responsible for this natural progression, called the Kuznets curve, include competition and technology that contribute to greater levels of equality. This curve is U-shaped, suggesting pre-industrial or subsistence societies (such as pre-agricultural hunter-foragers) show high levels of equality. He suggested that inequality would first increase as societies develop until they once again become more equal. There was thus a natural and inherent progression toward equality with economic development.

Inequality and poverty are socially harmful phenomenon for many reasons. Primarily, they are unethical and unjust under the principles of human rights and equality. At the individual/family level, they create suffering and insecurity, as well as opposing certain human rights. At the national or societal level, they can cause discrimination, social unrest, lack of productivity, or even violence.

Recent evidence from Piketty (2013) indicates that inequality in many developed nations is expanding. Many, including United States, have reached a pinnacle level higher than at any other point in history. In fact, the countries that currently have the highest equality (lowest GINI indices) have historical socialist or communist influence and therefore resistance against capitalist free market doctrine: Denmark, Hungary, Romania, Norway, Iceland, Sweden, Slovenia, Czech Republic, Finland, Belgium, and Germany (World Bank data, 2015). In the United States currently, the top decile owns 45-50% of national wealth (Piketty, 2013). This is the highest it has ever been.

There are currently many strategies proposed to alleviate inequality. The goal of these strategies goes by many names: Income parity, income convergence, inequality reduction, etc. They all seek to constrain the increasing gap in wealth between rich and poor. The current proposals for alleviating inequality (such as Piketty's global tax rate and Standing's basic income) do not adequately consider the persistent structural limitations of global capitalism, particularly the higher return on capital over economic growth (r>g), free market ideology, and the tendency for wealth to concentrate in few hands. These inherent structural limitations were described by structural Marxists as responsible for inequality and can only be reversed by reforming or purging the structures. These structural factors have led to unprecedented economic growth in developed nations, but also unprecedented inequality.

The current strategies are overly dependent upon reductive measures of wealth distribution, but do not address the structural barriers inherent in the capitalist system or how the money will be used to ensure sustained and significant economic growth among the poor. This may result in wasted resources or an ineffective reduction of inequality associated with measures to promote equality. There is nothing wrong with programs that seek to restore income equality or parity through incomes or taxes; on the contrary, they are commendable and necessary. However, it is not enough to simply indiscriminately increase money to the poor, either through redistribution (such as taxes) or wages (increasing incomes or minimum wages), and hope that it achieves permanent increases in wealth. Given the insuperable structures and dynamics of a capitalist system, there is a great risk that small disbursements may not permanently improve economic conditions. Increasing the minimum wage in the United States has not greatly reduced poverty or inequality, and both are currently rising. Real wages have not changed in decades.

The current strategies devoted to curtailing inequality are nearly universally based upon increasing money transferred to the poor. They do not address how the money will be used or how disbursements to the poor will create wealth or income equality. Since we know that long-term economic growth is best achieved with capital and investment, these transfers will likely fail to achieve income convergence or any lasting challenge to the entrenched inequality of global capitalism. There is a tendency for money to flow up, rather than down. Consumer spending upon goods (houses, cars, rent, electronics, clothes, food, gasoline, restaurants) is great and accounts for the large expenditure and debt of most Americans, as well as increasing the wealth of capitalists and business owners. Money may trickle down, but it floods up. Unfortunately, money itself is not a solution to the ancient problems of inequality and poverty, but instead how the money is used. If the goal of such strategies is to reduce inequality, targeted application of money must be done considering the structures and limitations of the existing capitalist system.

In this paper, I shall critique two current proposals aimed at reducing inequality: Piketty's global tax and Standing's basic income. I am proposing in this paper that these strategies, while noble, do not adequately address inherent factors of global capitalism, and should either adopt a form of paternalism in which income redistributed to the poor through taxes or increased incomes must be used for investment (capital, business, stock, education) or address structural factors of capitalism to ensure money used from policies aimed at income convergence achieve greater success and do not waste resources. History has perspicuously shown that capitalism has mechanisms to resist great change. Ultimately, the redistribution of money or wealth may not be sufficient to promote income parity and curtail escalating inequality unless certain mechanisms are adopted to oppose wealth concentration. Money in itself is not a solution to the social ills of poverty and inequality given the limitations of capitalism, rather how money is applied.

2. Background

2.1. Poverty and inequality

From where is the best place to begin an analysis of inequality? As the opening epigraph illustrates, poverty and inequality are ancient problems, existing since the earliest and most rudimentary forms of society. However, it is an ancient problem with very contemporary significance. Industrialization has intensified levels of inequality in recent history (Kelso, 1929). No societies are immune to the burden of inequality.

What is the difference between poverty and inequality? They are related, though not commensurate, and therefore must both be defined and put into context. Poverty is a condition or state of meagerness and want, while inequality is a qualitative and quantitative difference between people's economic conditions in a society.

First, what is poverty? We know that it has existed since the nascent incarnations of human society. Is it a relative or absolute condition? If every single member of a given society is poor, is this poverty? Or does poverty only exist if found alongside wealth?

The word poverty comes from the Latin *pauper*, meaning "scarce" or "few." It describes the habitual state of being poor. While there are many facets associated with poverty, at its most quintessential level it refers to the three fundamental needs of the human body: food, warmth, and shelter (Kelso, 1929). There is obviously a level of relativity and context inherent in discussion of poverty. A quantitative value of money is not sufficient to warrant labeling somebody as poor, because it depends upon an ability to furnish fundamental needs. This means that the value of money, and its ability to furnish or acquire fundamental goods (food, warmth, shelter) is not absolute. A sum of one thousand dollars may be sufficient in one locale, but insufficient in another. Of course, human liberties and rights extend beyond the ability to obtain basic and fundamental goods. There are other considerations beyond these fundamental needs: Education, higher pursuits, leisure, travel, opportunities, culture, and so forth. These pursuits are also important for issues of justice and human rights, but are too subjective to be addressed in these pages.

There are other definitions of poverty which emphasize the qualitative aspects of poverty. Poverty is: "Not to die, or even to die of hunger, that makes a man wretched; many men have died; all men must die…But it is to live miserable we know not why; to work sore and yet gain nothing; to be heart-worn, weary, yet isolated, unrelated, girt in with a cold, universal Laissez-faire" (Hunter, 1906). This definition emphasizes the suffering associated with poverty. Further, "the condition of poverty obviously attends every person who habitually lacks the means to sustain himself on such a footing of physical fitness as will enable him to carry on effectively for himself and his legal dependents" (Kelso, 1929).

Poverty has afflicted all societies in human history. In Babylon, the code of Hammurabi from 2250 BC addressed injustice: "to cause justice to prevail in the land, to destroy the wicket and the evil, to prevent the strong from oppressing the weak"; and "in my wisdom I restrained them; that the strong might not oppress the weak; and that they should give justice to the orphan and the widow, in Babylon the city whose turrets Anu and Bel raised" (Kelso, 1929). A Chinese document from 1115 BC called the "Chow-Li" reads: "the almonder is in charge of the corn stored in the country to do relief work – the corn in the country being used to relieve the hardships of the people, the corn at the frontiers and gates to relieve the aged and the fatherless, the corn in the suburban places to entertain the guests, the corn of the country places to relieve strangers and travelers, the corn of the districts to relieve the bad years. The corn-controller holds nine-tenths part of the corn for distribution throughout the country, periodically and in small portions" (Kelso, 1929). Finally, Plato and Socrates wrote about the plight of the poor in Greece. Socrates wrote: "There are always in them, however small they be, two parties hostile to each other – the poor and the rich" (Kelso, 1929).

More recent examples can be found in the United States and England. In London around 1900, about 31% of the population was considered poor (Holman, 1978; Hunter, 1906). Hunter (1906) estimated that there were ten million poor in the United States in 1900. The figure below (Figure 1) shows the percentage of population (left) and wealth (right) in the United States around 1900. Though only constituting 1% of the population, the rich owned about 55% of wealth. Even in 1900, inequality had reached high levels in the United States.

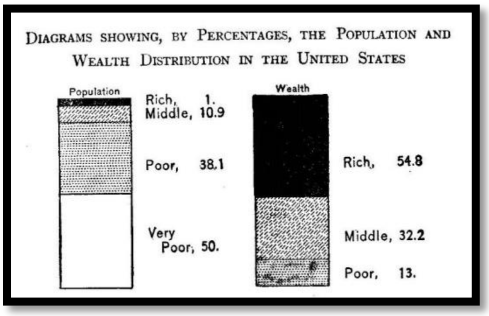

Figure 1. *This figure shows the percent composition of population by social class (left) and the distribution of wealth (right) in the early 20th century. The rich comprised 1% of the population but owned 54.8% of the wealth, while the very poor constituted 50% of the population but only 13% of the wealth (Hunter).*

It is evident that poverty is not only an ancient but a universal problem that plagues all societies. It is also evident that poverty has existed throughout time, whether in pre-agricultural, agricultural, or industrial societies. The emergence of industrialization and its rapid economic growth have thus not mitigated or tempered the existence of poverty, but actually intensified the inequality between poor and rich.

The world is becoming more unequal. Industrialization has allowed for certain societies and people to achieve unprecedented economic growth, though this growth has been highly asymmetric within and between nations. For this reason, economic inequality is reaching higher levels than previously possible. Capitalism and industrialization have expanded the horizons of production and business.

The economic levels of the world were much more homogenous prior to the current era of industrialization and economic growth. There was very little variability in national per capita GDP's in the early 19th century (Figure 2). By 1968, the disparity in per capita GDP had increased greatly, and variation between regions was much greater. This data from Sachs (2005) demonstrates that inequality is increasing and has become a critical issue in modern society. As evident from the figure, economic growth has not been congruent between regions, with higher economic growth in places like US, Canada, Japan, and Western Europe.

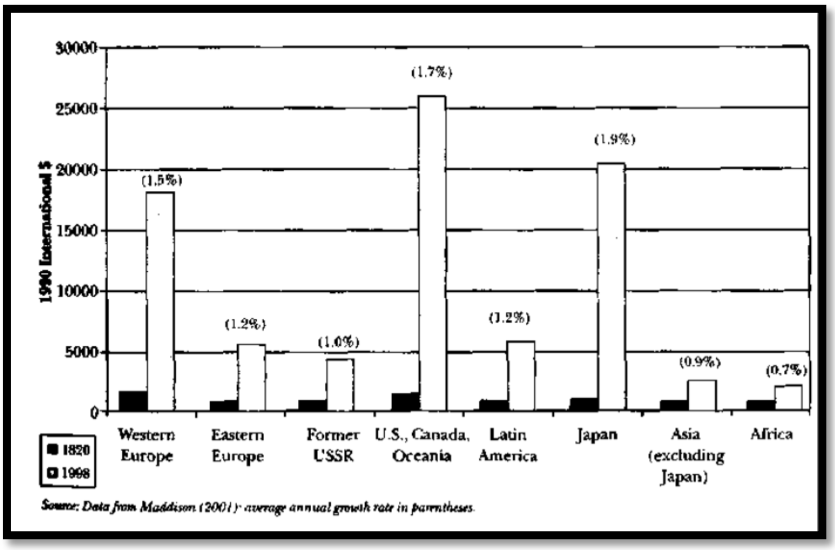

Figure 2. *GDP per capita in geographic regions in 1820 and 1998 (Sachs, 2005).*

We have thus established that poverty and inequality are ancient and universal problems created by inherent forces in society. They were found in earlier societies (Roman, Greek, Hebrew, Chinese, Egyptian) as well as modern societies. In the early 19th century, regions and nations were much more commensurate in terms of national per capita GDP. The recent increases in poverty and inequality are related to the rapid economic growth of industrialization.

2.2. Theories of capitalism and distribution of wealth

Capitalism is the socioeconomic system based upon private ownership of modes of production. There are a number of additional features typical to capitalism that distinguish it from other economic systems. These include: A certain degree of laissez-faire economics and limiting of government regulation; free market enterprise; promotion of business and industry through subsidies and other economic and political policies to maximize economic growth; and the implementation of tariffs and other measures to maximize profit from trade, production, and export.

The history of capitalism is not fully established. It is a relatively new economic system, though it may pre-date the emergence of industrialization. Certainly capitalism became the favored economic system post-industrialization. It benefitted the capitalists and owners of the modes of production.

Generally, capitalism replaced the historical system of feudalism. Under feudalism, a nobility/lord class held lands from the Crown, with vassals as tenants of the land and peasants working the land of the nobles. These social positions were typically inherited and thus rigid, with scant opportunity for social mobility. Inequality existed under feudalism in the form of the rigid class system and the monopoly of ownership of land among the nobles and monarchy. Money and power became concentrated among this landed class. The peasants could not exercise any volition or will in the determination of their wage and were thus exploited.

Industrialization shifted power to the capitalists and owners from the landed gentry. Although land was still an important resource (that could generate rent and property and wealth), capital and wealth became particularly connected to ownership of capital and the modes of production. This was one of the primary developments of capitalism: To shift production from land to industry. Companies produced goods using factories and other capital, which were owned by the new elites, or capitalists. These elites went by various names (bourgeoisie, capitalists, owners, industrialists), and became the new owners of the modes of production.

While capitalism dismantled the archaic system of nobility and landed gentry, it also retained certain elements from these earlier systems. For one, power and wealth were still concentrated in a minority elite class. Rather than being nobility or Crown inherited by birth, the new elite class were industrialists or owners. It is likely that many of these owners benefitted from certain class or social advantages. They were mostly educated and descended from members of the upper-class. While capitalism did permit some level of social mobility, for the most part people remained firmly entrenched in the class of their origin.

Second, there remained a large working class that performed most of the industrial labor that created the goods and services. They now received a wage, rather than protection from the nobles or Crown. This large working class was very limited in terms of social advancement and education, and their wages were set by the industrialists and were generally very low. The elites, by virtue of owning the modes of production, had the authority to set wages, compensation, working hours, and other aspects of their worker's lives. So, the lower-class remained circumscribed by the authority of the elite class.

Third, certain policies and regulations (social, economic, and political) support the industrialists like the nobles before them. These policies include certain subsidies and tariffs to maximize productivity and competitiveness. Thus capitalists were protected and bolstered by policies. They had the backing of the state to conduct their business and production.

According to Marx, the system of capitalism has two components: The economic base and the superstructure (Figure 3). The economic base includes the means of production (MOP) and relations of production (ROP). The base, which is dominant in the structural Marxist system, is therefore ultimately responsible for its continuation. The means of production are the tools and materials used in the production of goods and services. The relations of production are the various people involved in the economic base, such as the workers and owners. The superstructure includes everything external to production, such as ideology, law, media, art, family, politics, education, and so on. The superstructure, according to Marx, serves to reinforce and advance the economic base.

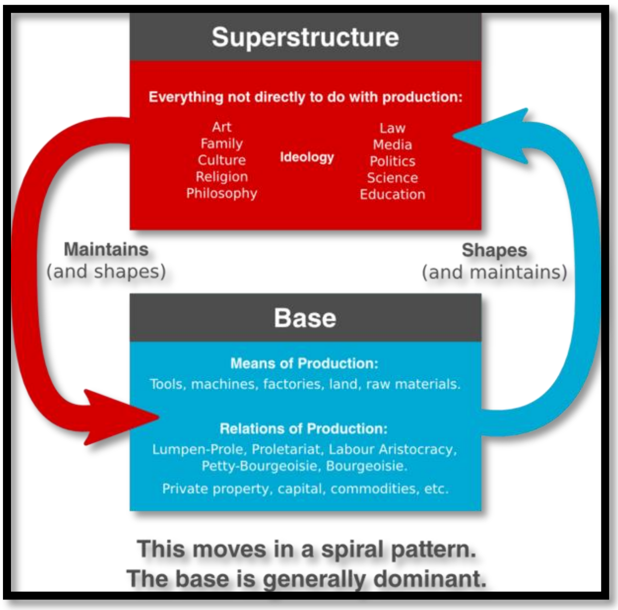

Figure 3. *The base and superstructure in Marxist theory.*

Marx’s critique of the capitalist system was that the owners and capitalists control the modes of production and therefore the economic base. This leads to the exploitation and marginalization of workers and laborers, and the ability to dictate wages. Since the ideologies of the superstructure serve as mechanisms to reinforce the economic base, the status and power of the owners of production becomes immune to change or reform. The super-structures (government, schools, religion, laws, policies, art, culture, etc.) serve and reinforce the interests of the economic base. This is why he proposed revolution to overthrow the owners of production. For Marx, the structures of capitalism must be changed in order for the workers and laborers to achieve emancipation and equality.

There are two different Marxist philosophical approaches to understanding the capitalist system: Instrumentalism and structuralism. Instrumentalist Marxism says the state is the economic handmaiden of capitalists and that the state is run by the elites. Therefore, the state fulfills the interests of the upper-class. The agents of the state are thus responsible for perpetuation of capitalism, rather than the structures themselves. Structural Marxism says that the state helps the system to reproduce itself and that the elites are not requisite for functioning. Structuralism emphasizes that the structures and institutions are responsible for the continuation of the system. Whether the structures themselves or the elites comprising the structures are responsible for maintaining the system, Marx believed these much be forcibly changed in order to achieve any change in the system.

Marx’s proposal for working class revolution gained traction in many places around the world. There are many Communist parties in countries across the world. His theories on the structural inequality of capitalism have been supported by recent evidence.

2.3. Human rights and social contract theory

Human rights have become an important issue of our time. Historically, many issues have provoked discussion of human rights: Slavery, censorship, oppression, segregation, colonialism, foot binding, racism, prostitution, trafficking, and others. Human rights are typically rights considered universal and inalienable. Though each nation defines their own human rights through legislation and constitutions, there are also universal rights established through international treaties and declarations.

Human rights are principles to protect human welfare and minimize suffering. Poverty leads to human suffering. The UN Declaration of Human Rights was passed in 1948, with nearly every nation signing. The declaration included over 20 articles of “human rights” (Sweet, 2003), a number of which pertained to economics. Articles 17, 22, 23, 24, 25, 26, 29, and 30 pertain to issues of economics (Table 1).

Table 1. *The articles of the Declaration of Human Rights pertaining to issues of economics and welfare (all from Sweet, 2013).*

Article number	Definition
17	1) Everyone has the right to own property alone as well as in association with others; 2) 2) No one shall be arbitrarily deprived of his property.
22	Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each state, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.
23	1) Everyone has the right to work, to free choice of employment, to just and favorable conditions of work and to protection against unemployment;

	2) Everyone, without any discrimination, has the right to equal pay for equal work; 3) Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection; 4) Everyone has the right to form and to join trade unions for the protection of his interests.
24	Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay
25	1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control; 2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection
26	1) Everyone has the right to an education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit; 2) Education shall be directed to the full development of the human personality and to strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace
29	1) Everyone has duties to the community in which alone the free and full development of his personality is possible; 2) In the exercise of his rights and freedoms, everyone shall be subject only to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democratic society; 3) These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations
30	Nothing in this declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein.

These articles show that economics plays a critical role in human rights and welfare. They show that a lack of financial means can lead to exploitation, marginalization, desperation, want, hunger, and other dangers or hazards. It is also perspicuous that many of the rights considered universal from the Declaration of Human Rights are unmet. For example, lower-class workers in most of the world are not able to enjoy favorable working conditions, working hours, or leisure. It is also clear that many poor workers do not receive pay commensurate for their labor or sufficient to enjoy a favorable condition of living.

Social contracts are related to human rights in that they are inherently innate. Rousseau provided one principle of a social contract when he wrote that, “Men are born free.” “A social contract theory is a theory in which a contract is used to justify and/or set limits to political authority, or in other words, in which political obligation is analyzed as a contractual obligation” (Lessnoff, 1986). Two qualities of the social contract are that they are reciprocal and conditional. Poverty and inequality are clear contradictions of the social contract, because they reflect the state’s failure to provide fundamental needs and opportunities for the poor (jobs, housing, health provision, food, leisure).

2.4. Theories of inequality

Inequality has reached a high level globally, which has spurned many efforts to combat it. Two of the most prominent are those from Thomas Piketty and Guy Standing. Thomas Piketty demonstrates the divergence of wealth between rich and poor over time. Guy Standing proposes the emergence of a new social class called the precariat.

The causes of inequality are great and diverse. Two explanations of inequality are those of Marx and Ricardo. Marx's theory of infinite accumulation described the tendency for the wealthy capitalists to own an increasing share of national wealth due to their control of the modes of production. In the case of capitalism, there is an infinite and innate tendency for the wealthy to own greater shares of wealth in a society. Evidence of this can be seen in recent decades in the United States, where CEO's earn incomes hundreds of times greater than their employees, and economic growth rates are most pronounced among the top earners, particularly with capital. Ricardo's scarcity principle described the role of land ownership in creating capital and wealth. As population increases, land becomes more scarce, which shifts up the price of land. Land thus becomes harder to buy, and an increasingly large share is owned by the wealthy capitalists. This is also supported by recent evidence, as the poor have less and less ability and opportunity to own land, business, homes or other means of production.

Kuznets provided an alternative model to those above. He theorized a U-shaped curve for inequality as related to economic development (Figure 4). He theorized that as societies develop economically inequality first increases and then decreases. The mechanisms responsible for the decrease in inequality were assumed to be competition and technology. There is some verisimilitude of Kuznet's theory, though much of it has not been supported by tangible evidence. Societies at the most rudimentary level (hunter-foragers, subsistence, etc.) do likely have high levels of equality. Also, some wealthy countries (Sweden, Denmark) have achieved high rates of equality through certain socialist measures. However, there are many wealthy and developed nations in which inequality is quite high (the United States, China, Brazil, India, Argentina, UK, Russia), showing that there is not a direct relationship between economic progress and equality.

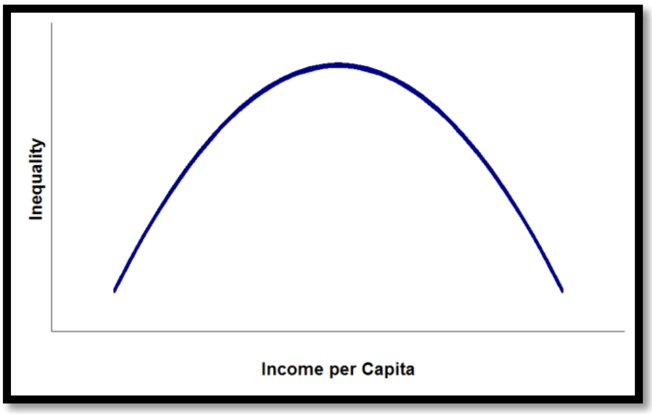

Figure 4. *The Kuznets curve.*

The variation of global inequality can be analyzed using the GINI index. The GINI is an index of inequality determined by comparing shares of wealth held by different classes or deciles. A GINI of 0 indicates perfect equality (wealth distributed perfectly equally among all people in a society), while that of 1 indicates perfect inequality (wealth owned by a single individual). The figure of GINI indices for a selection of nations below (Figure 5) shows three groupings of nations, roughly equivalent to low inequality, moderate inequality, and high inequality. The nations of Slovakia, Slovenia, Czech Republic, and Denmark are all low inequality, with GINI indices between .25 and .28. These are among the lowest in the world. These four nations have historical influence of socialist or communist ideals, and definite social and economic policies aimed at equality. As evident in the figure, the indices for these four nations is fairly stable over time. The United States has moderate inequality, with a GINI of about .42, nearly .2 above the low-inequality nations. The trend for the United States shows a slight increase in inequality. Finally, Brazil has among the highest GINI indices in the world at about .54.

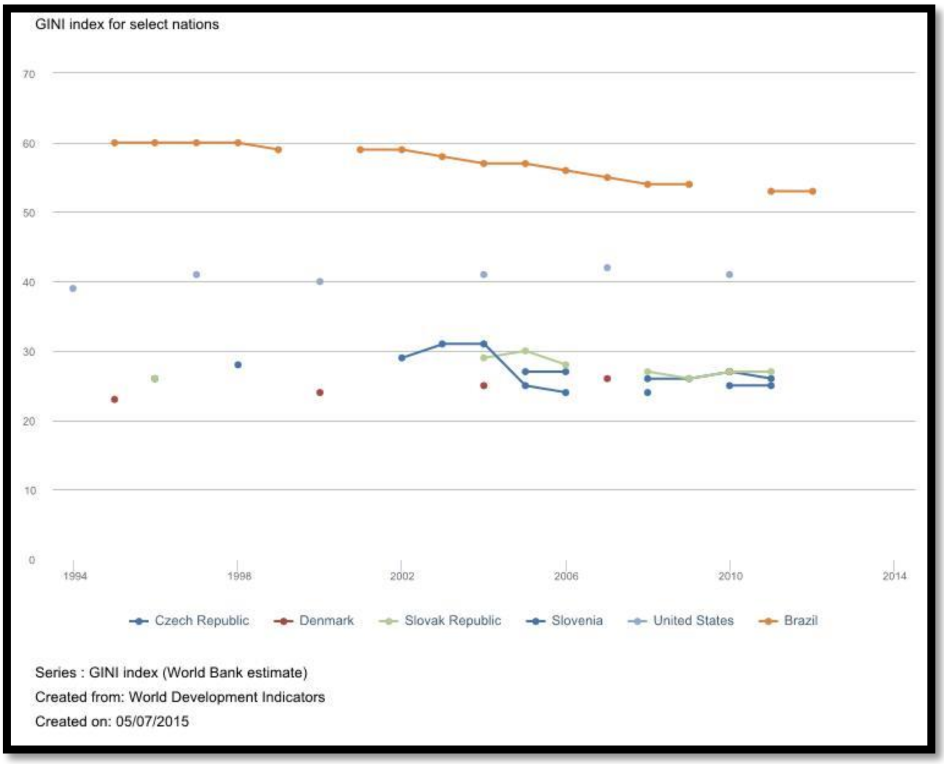

Figure 5. *GINI indices for selected nations. Notice the approximate "groupings" of the nations into low, moderate, and high (World Bank data, 2015).*

Piketty believes the solution to inequality is two-fold: 1) To promote knowledge and skill diffusion; 2) A global tax rate that will make taxes and income more democratic. Meanwhile, Guy Standing advocates for a basic income that will prevent the marginalization and insecurity afflicting the precariat class.

There are many approaches to reducing inequality. It is an objective across a wide range of disciplines: Economics, political science, sociology, anthropology, geography, and others. Many of these solutions seek to achieve greater income parity, also known as income convergence. There are various measures and policies that can be used to achieve this, such as limiting the income of higher earners, raising minimum wage for the poor, and redistribution of wealth through welfare and tax refunds.

2.5. Paternalism

The notion of paternalism has shifted over time. In the medieval era, individuals saw themselves as occupants of preexisting, determinate and fixed social roles. Liberal society, emerging from the Enlightenment and other transformations, radically altered the fundamental viewpoint of the individual, endowing them with greater autonomy and freedom.

The Enlightenment did much to enhance the notion of individuals as free and liberated. Liberal society introduced the notion of discrete individuals, along with the inherent qualities of autonomy and freedom. It therefore challenged the previous doctrine of natural hierarchy and led to the decline of patriarchalism.

While paternalism has lost favor as a theory due to the proliferation of notions of personal liberty and autonomy, there are many cases of paternalism in modern societies. Some of these include: smoking taxes; compulsory education and vaccinations; welfare; speeding laws; banning of trans fat; banning of drugs; and drinking ages.

The notion of paternalism is an effort to ensure the good of individuals. This alone is clearly not a negative or harmful endeavor. However, issues arise when it comes to coercion: If achieving the goal of helping an individual is done through coercion or some means otherwise compromising their autonomy. The tenets of paternalism are below (Table 2).

Table 2. *An example of the tenets of paternalism (Coons and Weber, 2013).*

The tenets of paternalism: a) Aimed to have (or to avoid) an effect on B or her sphere of legitimate agency b) That involves the substitution of A's judgment or agency for B's c) Directed at B's own interests or matters that legitimately lie within B's control d) Undertaken on the grounds that compared to B's judgment or agency with respect to those interests or other matters, A regards her judgment or agency to be (or as likely to be), in some respect, superior to B's

A discussion of paternalism must consider the issue of ends versus means. Paternalism, in most cases, asserts some degree of control over an agent's own efforts, with the intention of managing efforts to get the "right." Using the example of welfare, this form of paternalism creates options not previously available, giving an increased set of choices.

There has been recent discussion over the issue of JS Mill's harm principle as it relates to paternalism. Mill's harm principle states: "The only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant. He cannot rightfully be compelled to do or forbear because it will be better for him to do so, because it will make him happier, because, in the opinion of others, to do so would be wise, or even right" (Sunstein, 2012). There are certain arguments that justify paternalism in cases of welfare, because many people do not necessarily make decisions in their best interests. In terms of welfare, certain paternalistic principles may help the poor to effectively use welfare for their best interests.

3. Methods

The methods of my critique include a scrutiny of the proposed strategies from Piketty and Standing from the perspectives of both paternalism and Marxist structuralism. I thus apply a dual-theoretical critique. The doctrine of paternalism is that of managing agent's efforts to get them right. Structuralist Marxism places the structures at the center of the capitalist system and therefore responsible for its continuation.

4. Critique

The critical issue of inequality is the inherent divergence of economic growth between members of society. The owners and capitalists who own the modes of production enjoy much higher economic growth than the wage laborers and poor. Fundamentally, any efforts at reducing inequality must consider these inherent

barriers. So, to lower inequality, the poor must have access to the modes of production and various forms of capital. This is the only logical means of opposing the inherent tendency for income divergence and inequality under global capitalism. Merely increasing money through income or taxes to the poor will not lower inequality, given the lack of growth rates for wages and income.
Thomas Piketty provides persuasive evidence for the global expansion of inequality. He conveys this expansion of inequality using copious data and statistics. The upper decile of earners in the countries analyzed own an increasingly large share of national wealth (Figure 6). Despite claims of politicians and economists that free market capitalism, or neoliberalism, promotes higher income and wealth, it appears that this economic growth is typically confined to the highest earners. Fundamentally, for Piketty's proposals to succeed, the poor must acquire access to capital. It is not enough for them to simply receive higher wages, because economic growth of wages is limited.

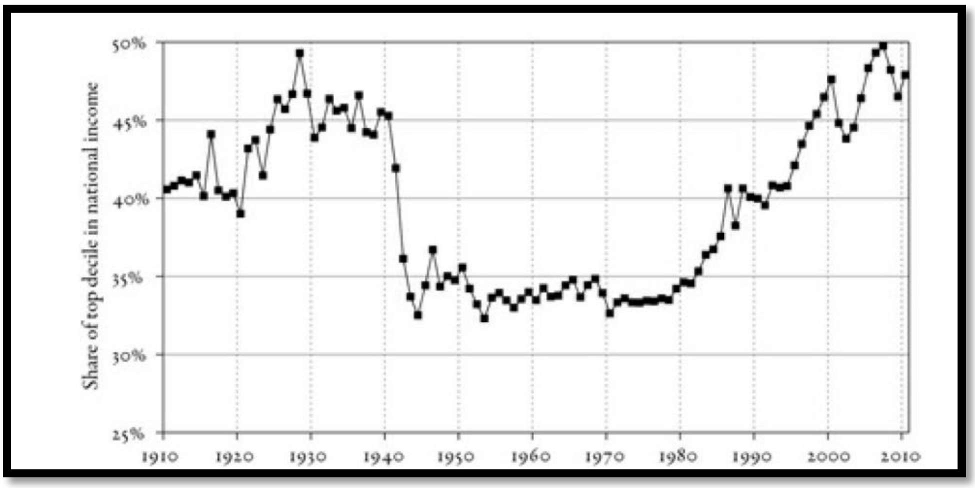

Figure 6. *Share of top decile in national income in the United States (Piketty, 2013).*

One of the fundamental arguments from Piketty is that the growth rate of r (capital, wealth accumulated in the past) is greater than g (output, wage) under the capitalist system, and that there is increasing divergence between the two growth rates. He provides evidence of economic growth over time. This evidence supports the notions of infinite accumulation. To lower inequality, Piketty proposes measures to align the growth rates.

Piketty also analyses government spending on social services. He shows that shares of national income from tax revenues have increased in recent decades. Tax revenues in the late 19th century constituted about 10% of national income in rich countries (UK, France, Sweden, and the USA), but increased to between 30% (USA) and 55% (Sweden) by the end of the 20th century (Piketty, 2013). The current share of national income from tax revenue has remained stable for a number of decades, and Piketty theorizes that it has reached its pinnacle. For this reason, he suggests that a more equitable form of taxation may be a tax on capital rather than income, which he believes is more democratic.

In his recent book, Piketty suggests two different goals for income convergence. First, he proposes that knowledge and skills diffusion is a critical aim to ensure greater income and wealth of the poor. Second, he believes a global tax rate (and tax rates on capital rather than income) will be much more democratic and practical for reducing inequality.

From a Marxist perspective, Piketty's proposals will not significantly alter the capitalist landscape. Marx showed that capital and wealth has an innate propensity to accumulate in few hands under the doctrine of capitalism. While Piketty's proposals seek to reverse or hinder the impact of r>g, the question becomes whether income distribution will achieve this. Is there a relationship between additional income for the poor and their long-term economic growth? The variable r, which is the growth rate of capital (or inheritance, or wealth accumulated in the past), will not be altered in any way by income supplementation to the poor. This additional income is not wealth, but income, and therefore belongs to the g variable (output and wage). It can perhaps serve to increase g, though there is no guarantee that r will slow or decline so that there is greater parity between the two growth rates.

Applying a structuralist Marxist approach to Piketty's strategies will unfortunately show that his strategies for reducing inequality do not sufficiently address the structures of the capitalist system. If the same structures and agents continue to dominate the roles of production and means of production, then there will be little chance of Piketty's strategies having a significant influence. These MOP's and ROP's will be supported and protected by social structures. The goal of structural Marxism is to dismantle or alter the fundamental structures of the capitalist system, which will not occur under Piketty's proposals of a global tax rate.

Piketty's proposals of amending the tax system will not necessarily induce greater wealth and advancement to the poor. First, Piketty proposes a progressive tax on capital to supplant the progressive tax on income. Progressive income tax has thus far proved incapable of addressing the inherent inequalities in capitalism. This progressive tax on capital will likely face the same dilemmas as the progressive tax on income. The wealthy will find ways to avoid it, and it will not address the inherent inequalities in economic growth rates and ownership of capital.

Further, while the strategy of knowledge/skills diffusion is worthwhile, extra income for the poor may not necessarily lead to greater knowledge or skills. This is where the doctrine of paternalism proves appropriate. Evidence suggests that people do not necessarily spend or consume following the rationale of their best interests. In many countries, the economy is based around consumerism. This is very true in the United States. Savings rates for Americans is quite low (Figure 7), and spending has contributed to high rates of debt, both at an individual and national level. Knowledge/skills diffusion is certainly a practical means to achieve greater equality. Knowledge and skills are theoretically a great way to achieve income convergence. Knowledge and skills, through education and training, can help the poor to advance socially and thus economically. However, given that most spending by individuals in the lower classes is not dedicated to enhancing their wealth or capital (or knowledge/skills), the relationship between wealth redistribution and knowledge diffusion remain tenuous.

Gross and net saving in rich countries, 1970–2010

Country	Gross private savings (% national income)	Minus: Capital depreciation (%)	Equals: Net private saving (%)
United States	18.8	11.1	7.7
Japan	33.4	18.9	14.6
Germany	28.5	16.2	12.2
France	22.0	10.9	11.1
Britain	19.7	12.3	7.3
Italy	30.1	15.1	15.0
Canada	24.5	12.4	12.1
Australia	25.1	15.2	9.9

Note: A large part of gross saving (generally about half) corresponds to capital depreciation; i.e., it is used solely to repair or replace used capital.
Sources: See piketty.pse.ens.fr/capital21c.

Figure 7. Net savings rate for various rich countries (Piketty, 2013).

Guy Standing describes the emergence of a nascent social class, which he calls the *precariat*. This is a portmanteau of the words "precarious" and "proletariat." He shows that this new social class is highly marginalized and faces dangerous levels of insecurity.

The basic income proposed by Guy Standing will likely fail to succeed unless it incorporates certain mechanisms to ensure it achieves economic growth for the poor. In his strategy, he advocates for a basic income, which should be sufficient to achieve a certain level of welfare and security. This is a noble and ambitious strategy, but it, like the Piketty proposal, ignores the greater structural limitations of capitalism.

Primarily, the limitation of the basic income is not different than that of a global tax rate. A basic income will increase money to the poor, but this money will take the form of wages or income, rather than capital or wealth. Whether this supplemental income becomes wealth depends upon many factors, such as consumer behavior, taxes, individual habits, and education.

One potential solution to these issues is to impose a paternalistic mechanism upon wealth redistributed to the poor. Money redistributed to the poor could be siphoned into a capital/savings accounts that will ensure greater economic growth than their existing wages and income. This will help them to attain long-term economic growth. There are many opportunities for this money: Education, investment (stocks, bonds, and business), entrepreneurship, etc. (Figure 8). By imposing certain regulations upon money redistributed to the poor, there is greater likelihood that this money will achieve economic growth and help the poor to glean access to capital.

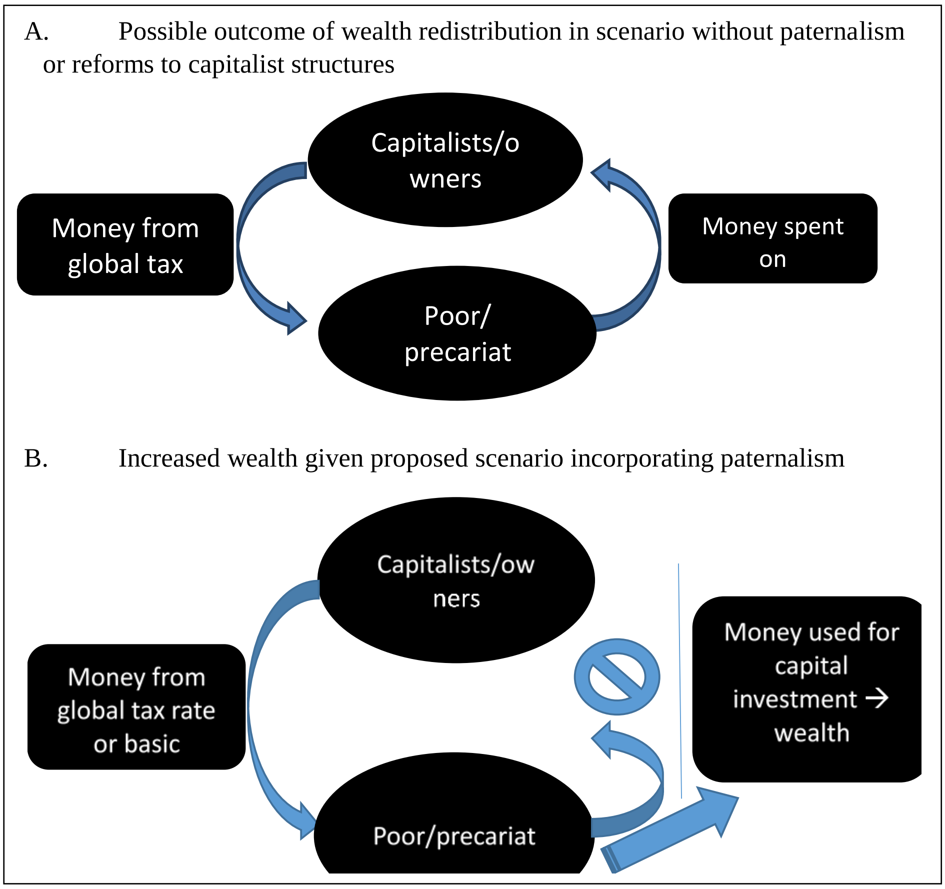

Figure 8. *Two outcomes of wealth redistribution. In the first (A), wealth redistribution does not achieve lasting and significant increases in wealth among the poor because of consumer spending. In the second (B), paternalism provides a mechanism to divert redistributed wealth into savings, capital, and other sectors that ensure greater long-term wealth.*

5. Conclusion

Poverty and inequality contribute to injustice and suffering globally. They have increased in recent centuries as capitalism and neoliberalism became the prevailing economic and political doctrines. Increasing inequality has spurned criticism and efforts at reduction of inequality.

Inequality in capitalism can be explained using the theories of Marx's infinite accumulation and Ricard's scarcity principle. The former describes the propensity for wealth to be concentrated in fewer hands due to capitalists' ownership of the modes of production. The latter considers the increasing cost of scarce resources like land and capital.

The strategies for reducing inequality generally seek to achieve income convergence or parity and lower the gap between rich and poor. Piketty proposes a global tax rate, and Standing advocates for a basic income. Both unfortunately insufficiently address inherent structures of capitalism and may therefore have limited impact upon inequality. A successful strategy to curtail inequality will consider the enduring inequality of capitalism. Paternalism provides one possible mechanism to ensure redistribution actually results in greater wealth and economic growth for the poor.

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