**High Inequality is Desirable**

The critique of the phenomenon of high economic inequality in capitalist systems is an old smear often weaponized by Socialists, Marxists and increasingly a certain group of economists such as Thomas Piketty, etc. In Pakistan, Dr. Hafiz Pasha’s recent claim to fame is also his quantitative analysis of inequality in the country. While I respect and admire the impressive quantitative and empirical contributions of the “Piketty Group” and their followers, I take issue at the fundamental philosophical and political assumptions underlying the policy recommendations and conclusions drawn from the data. In the real world and real economies, there is no free lunch; incentives drive innovation, inheritance of capital and IQ points, social networks and ideas drive outcomes as they should; high inequality creates a society which never runs out of drive for progress; in other words, high inequality is a feature rather than a bug of efficient economies and societies. For instance, as a secular capitalist, I am critical of the Brahman-led caste system under dominant interpretation of “Hinduism”; nevertheless, I still consider “caste” based hierarchy to be a social innovation which was superior to the simplistic societies created by egalitarian hunter-gatherers; rise in inequality since the agrarian age of humanity was progress rather than a problem needing rectification.

When Mark Zuckerberg became a billionaire at the age of 24, he was among at least the top 0.1% of the economic distribution in USA, conditional on his age group. Similarly, Rockefeller (founder of “Standard Oil” company), J.P Morgan (great financier and investment banker) and Alfred Sloan (long-time CEO of General Motors corporation who revolutionized the automobile industry) were all inspirational, self-made geniuses, leading 19th and 20th century US markets. This is in stark contrast with the myth that success in capitalism is based merely on luck or “exploitation” of the mythical working class. While random shocks and luck do play a role, just as weather fluctuations effect farm output of landlords in feudal societies, the winners must succeed in the ruthless process of creative destruction. Even if success in markets has been achieved, it is ephemeral despite the forces of inheritance, economies of scale and information stickiness. Markets evolve all the time and firms which don’t adapt to constantly changing demand and technology are kicked out of the market. For instance, firm death or failure in advanced economies is higher; around 4% as opposed to 2% in emerging economies (Cevik and Miryugin (2019)). Thus, even maintaining profitability and market share requires strenuous innovation, passion, hard work, and market awareness.

Such higher levels of corporate dynamism and risk are the key drivers of innovation in advanced economies. While Henry Ford became highly successful in the car industry through his amazing innovation in productivity and sales, he soon faced serious competition from Alfred Sloan and General Motors in the early 20th century. Moreover, winners in the economic domain create new jobs, new industries and contribute the most toward the progress of society. Rather than “exploiting” the working classes which is a common Marxist propaganda, those who rise to the top under capitalism improve social conditions for countless people and increase inter-dependence of societies. I would go as far as to say that even modern nation states and national integration were made possible through trade and market integration, owing to the success of capitalists. High profits and material comforts for the top “1%” is just a meagre and inadequate reward for the contribution and risk-taking behavior for investing in better futures for all. Such success should be celebrated and must be a source of inspiration rather than smeared as an outcome of some mythical exploitation of biblical proportions, as is commonplace among leftists who merely pontificate on the failure of capitalism using the technology developed by free markets; only a cursory analysis of the ill-informed “solutions” proposed by leftists is sufficient to dismiss their case against capitalism. I would even say that the “top 1%” is a poorly defined concept, since the top is constantly in flux; the winners of the “Foridan” age of 20th century capitalism are very different from the nerds who have captured social media markets and the emerging markets of self-driving cars, AI-driven humanoids such as “Sophia” and the best teachers in the world: Google and CHATGPT. The composition of the top 1% is constantly changing.

I consider high inequality and hierarchy of various kinds to be desirable including the dictatorship of majority under socialism relative to some anarchism or egalitarian stone-age. However, at the very least, high inequality is irrelevant if not desirable assuming that a certain minimum living standard is available for most of the population. Successful capitalist countries, where the state creates only enabling environments through defining flexible rules of the game and their legal enforcement have demonstrated that actualization of diverse individual talents and pursuits is possible while minimizing poverty. Even ensuring a certain minimum living standard or defining “poverty” is subjective; how do you decide and where do you draw the line? For instance, life expectancy in the USA was only 47 in 1900 and is close to 78.7 today. Even an extreme socialist (yes, socialism can go too far) in 1900, would not have demanded such massive life-expectancy increases from the state, since it was unimaginable at the time. Similarly, there is no objective method to define material discomfort when you surpass basic “survival” needs. I might feel discomfort about my lack of ability to buy the latest and expensive laptop but working hard is the only solution for that problem rather than blaming “oppressive” social structures and wasting time.

Populist sloganeering against inequality is shallow, counter-productive and misses the forest for the trees. The key issue is whether the social and political structures reward innovation and talent to create inequality for the right reasons rather than inequality driven by the wrong reasons such as “current” engagement in slave trade, “current” illegal acquisition of the raw material of production through theft etc. Of course, if the forefathers of modern capitalists were slave owners or occupied the resources of Native Americans, that cannot be used as an argument for redistribution or reparations from current inheritors; in fact, many actions which are crimes were not crimes in the past and some acts performed today might become crimes after some decades of social evolution. If one targets low inequality merely as an end in and of itself, one opens the door for fascism and an unthinking, dictatorship of the majority. When democracy goes too far (which it certainly can and has in history), justified by the logic of socialism and elimination of class hierarchy, it creates fascist states which are also undemocratic but in different ways, impede upon individual rights and freedoms (China is of course a case in point and so is North Korea etc.) where hierarchy remains and instead mutate into a form, more pernicious than the one under capitalism.

For more detailed analysis, you can view my recent work at github.com/sonanmemon titled “The Desirability of Inequality: A Discourse” (2023).

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