

Chapter 1

Inequalities: A Concern for Capitalism and Global Strategy

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ABSTRACT

This chapter explores the concern of inequalities in human history and throughout the globe. It aims to be a holistic perspective upon the inequality phenomenon with its multi-faceted aspects. The authors analyze capitalism and its main inequalities and question the origin of inequalities, their determinants, and their evolution across the history and nations. Within this context, the authors raise awareness of gender inequality as a component of the inequality concept. The authors undertook a systematic and unsystematic literature review to investigate the concept of inequality with its aspects and the role of capitalism in creating and supporting inequalities. An in-depth analysis was conducted by authors on both inequality and strategy in order to highlight gaps in the knowledge and to indicate trends for further research. Across the centuries there was a range of inequalities within the countries and between different countries, as well as between social categories, between men and women, between rich and poor.

INTRODUCTION

This chapter is mainly rooted within the writing by Picketty (2014), “Le capital du XXI siècle”, or in other words, “The Capital in the Twenty-First Century”, awarded ‘the Business Book of the Year, 2014’. Although, based initially on this comprehensive research study conducted by Picketty (2014) across a few

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centuries, the chapter aims to be an interdisciplinary research, incorporating within, economic and social aspects, as well as political perspectives, autobiographic (Torekull, 2012) and experiential perspectives upon Capitalism in general, and its last phase called 'the digital Capitalism'. The study aims to design a holistic perspective upon inequality, which is a very complex and multi-faceted phenomenon, and to provide an interdisciplinary theoretical framework. The constructs of the theoretical research framework, suggested initially by the authors, originated from Picketty's (2014) work and enlarged later with additional constructs, as follows: the economic systems, capitalism, capital, income, economic growth, and returns on capital, population growth, gender, education and technology. The objectives of this chapter are: (1) to discover and analyze various aspects of inequality and its historical evolution; (2) to find out the origin and the causes of inequality, and; (3) to provide a comprehensive, holistic theoretical framework, as the basis of possible global strategies to inequality awareness. The chapter comprises the following sections: Economic Systems and Capital Accumulation; Inequality and the Distribution of Wealth; Income, Economic Growth and Returns on Capital; Gender Inequality; Global Strategies; Research Method; Analysis and Discussions, and Conclusions.

Oxford Dictionary (1999) defines 'inequality' as 'lack of equality'. In principle, there are two forms of inequality: internal inequality with multiple aspects and international inequality with its aspects. The internal inequalities are rooted within the socio-economical aspects of a country, whilst international inequalities regard the more ample conflict between the southern poorer countries of the Globe and the northern richer countries, with more advanced economies. The concept 'inequality' implies a concentration of riches or wealth to groups of countries, regions or social categories, or in other words, a polarisation of the economic power to certain groups or categories in the detriment of others. Picketty (2014) describes 'wealth' as 'the accumulation of private capital' and the 'inequality' as 'a concentration of wealth to fewer individuals, corporations or companies'. Hence, the distribution of wealth becomes a concern for the majority, and finally leads to a conflict between the minority and majority, as a consequence of the unequal distribution of wealth, and due to inequality.

In the last few centuries, economists from the Western and Eastern European countries analysed and suggested various solutions to (a) the internal inequality between classes and to (b) the external inequalities between countries of the Globe. Thus, the research by Picketty (2014) analysed three centuries of history, and covered twenty countries. Although, it is highlighted that, his research is not complete, it offers an in-depth analysis and provides a theoretical research framework. This chapter builds on the research by Picketty (2014) and develops and enriches his theoretical research framework, in view to offer a basis for viable solutions to inequalities. Picketty (2014) explains that in capitalism, the level of returns on capital is higher than the rates of growth for output and for income. This fact perpetuates the existent inequalities between social classes. In other words, the economic and financial power of certain social categories leads to political and social benefits over less favoured classes and finally leads to a conflict between them (Picketty, 2014). Furthermore, he suggested a negative relationship between the growth rate of the population and the distribution of wealth, which creates disequilibrium (Picketty, 2014). This assertion supports research by Karl Marx (Capital, 1867; The Communist Manifesto, 1848) and his principle of 'infinite accumulation' (based on Ricardo's assertions ('principle of capital; 'principle of scarcity'), which states that wealth accumulated over a certain limit can lead to destabilization and conflict (Picketty, 2014). At present there is very little research on inequalities in such a comprehensive manner, and therefore, there is very little chance to advance criticism on these opinions.

As opposed to Karl Mark, Frederick Engels and David Ricardo's assertions, a second group of economists (Kuznets, Kendrick (USA); Bowley, Clark (UK); de Bernville (France)) based their statements

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