*Final Draft 2 December 2011*

# Inequality in Our Age

Azizur Rahman Khan[1]

> Two nations between whom there is no intercourse and no sympathy;
>
> who are as ignorant of each other's habits, thoughts and feelings,
>
> as if they were dwellers in different zones, or inhabitants of different
>
> planets. The rich and the poor.
>
> Benjamin Disraeli (1804-1881)

The purpose of this essay is to outline the evolution of inequality in our age and the causes shaping that evolution. Inequality has many facets. Our focus is a limited one, on inequality in living standard. Living standard too has many different dimensions; by now social sciences have devised methods of estimating multidimensional indices of inequality in standard of living. Such indices are, however, available only for recent time periods and for a limited set of countries. We shall therefore, when making not too frequent references to quantitative indices, limit ourselves to a unidimensional index of inequality, that in the distribution of income and/or consumption of the members of the society.

Our age in this essay will roughly correspond to the period since the end of World War II, a period whose beginning was marked by the entry in elementary school of people of my generation. My interest is in the broad global trends in inequality with very limited references to our own country about the inequality of which I have written extensively.

The starting proposition of the essay is that both inequality and the social tolerance of inequality have substantially increased almost everywhere over this period. The increase in inequality over this period, however, consists of divergent changes over two sub-periods: for the first three decades after the end of WWII inequality actually declined over much of the world and any increase in inequality remained modest in magnitude for the limited parts of the world population where it rose; over the last three decades, from the late 1970s and the early 1980s to the present time, the increase in inequality has afflicted pretty much every significant human society. While in the decades immediately after WWII

[1] The author is emeritus professor of economics at University of California, Riverside. He is very grateful to Professors Keith Griffin and Arthur MacEwan for many helpful comments and suggestions. Individual references to sources are avoided. Instead a note in the annex summarizes the major sources. It also includes an intuitive explanation of the principal index of inequality to which references have proved unavoidable.

human societies almost everywhere were, at least seemingly, engaged in finding ways to reduce inequality, in the last three decades societies everywhere have demonstrated greater tolerance of inequality. The essay also argues that these trends in inequality were not determined by inevitable technological, economic or historical forces but largely by policy choices made by political forces. Finally it argues that, the demise of traditional standard bearers of equality, such as the actually-existing socialist system and the quest for non-capitalist development in the Third World, and the emergence of capitalism as the only economic system, do not signal the “end of history” for the human pursuit of equality. Plenty of paths to greater equality are available to contemporary societies that are serious in their pursuit of the goal.

## Inequality in the Post-WWII Decades

### *Change in Inequality in the Immediate Post-WWII Decades*

First, let us consider the advanced industrial countries. While capitalism was their common economic system, they could be divided at least into two broad categories with substantial differences between them: the social-democracies or welfare states; and the “purer” market economies, purer not in the sense of conforming more closely to the abstract textbook model of competitive market, but in the sense of being subjected to least interference from the state on behalf of the underprivileged. During these decades, social democracy/welfare state expanded greatly, predominantly in Europe. The principal instruments used were state provision of extensive social services financed by high marginal tax rates; publicly-provided access to education at all levels; social control over natural monopolies like railways and power supply; regulation of finance and business; and strong trade unions. This group of countries achieved very high degrees of equality together with efficient economic growth. The most commonly-used index of distribution of personal income, the Gini index, was often 25 or lower for the most egalitarian ones among this group, notably the Scandinavian countries.[2]

The USA is perhaps the best example of a “purer” form of market economy. In the USA too the distribution of income and wages became steadily, though modestly, less unequal over this period. Partly because it too espoused some of the welfare measures that social democracies widely practiced: Social Security enacted in the 1930s started providing protection for the retirees; Medicare and Medicaid were enacted in the 1960s to provide medical insurance to the elderly and the poor; social protection for the workers was strengthened; and strong unions were tolerated. Access to higher education was widened through GI bill and other opportunities created by the state. Some degree of social control over finance and business, enacted during the New Deal, continued to be in place. Public investment in infrastructure facilitated both employment and productivity growth. Most of the above measures also contributed to productive efficiency so that this was a period of comparatively rapid economic growth as well, especially in comparison with what followed in the subsequent decades.

[2] The annex at the end of the essay includes an intuitive interpretation of the Gini index.

In the aftermath of WWII a large part of the world, exceeding a third of world population, came to be ruled by regimes claiming the mantle of "Marxian socialism", a movement that started in the previous century as the principal challenge against the injustice and inequality of the capitalist system. Even though there were many differences among the countries belonging to the system, they all were characterized by the replacement of the market by a system of central planning in which the state made most decisions regarding production and distribution. Private ownership of means of production was abolished and replaced by state and collective ownership. The structure of wages and incomes was largely egalitarian especially if the concealed perks of a thin layer of top leaders and bureaucrats were ignored. The actually-existing socialist regimes suffered from the lack of a system of rational economic calculations that, in the absence of the market, might lead to efficient organization of production. As a result, except for relatively brief spurts, economic growth in these countries could not be sustained at anything like the potentially feasible rate. In many cases the equality that prevailed among the population was something bordering shared poverty by the standard of what might have been feasible. Furthermore, available estimates of income distribution suggest that the degree of inequality in these countries tended be no lower, often higher, than that in the most egalitarian of the social democracies. Nevertheless, these countries succeeded in transforming their highly unequal pre-revolutionary societies into egalitarian ones.

The remainder of the world consisted of the developing countries for which the documentation of inequality trends during this period is often rudimentary. While Latin America continued on their inter-war path of import-substituting industrialization, the rest of the developing world, most of which achieved political independence during this period, followed a variety of paths in pursuit of economic and social development.

Latin America always had high inequality due to numerous structural reasons, notably a highly unequal distribution of land. In the period under discussion the region achieved high rates of growth without significant increase in inequality. Even though the countries of the region did little to deal with the structural causes of high inequality, there was some attempt at social protection which at least prevented a significant increase in inequality.

South Asia and much of South-East Asia adopted a kind of import-substituting industrialization. The largest country of the region, India, adopted a mixed economic system, dubbed socialistic by many, in which the state came to own public utilities as well as production enterprises in some basic industries. The state exercises widespread control on industry and trade. There was also extensive state intervention in the distribution of food and other basic necessities, especially in urban areas. Limited attempts were made to redistribute land. To a lesser degree many South Asian countries adopted a similar strategy. The distribution of income in these countries by and large remained stable during the period under review. The level of inequality varied from one country to another and in some countries, e.g. Pakistan and the Philippines, there was modest increase in inequality over some years; but there is little evidence that it had a significant upward trend in the major countries.

In East Asia, a group of countries – pioneered by Japan and followed later by South Korea, Taiwan and the city states of Hong Kong and Singapore – adopted a very different development strategy: redistribution of assets – in the case of Japan, South Korea and Taiwan land and in the city states public housing – export-led industrialization based on employment-intensive goods, wide access to human capital and public investment in infrastructure. These countries achieved extraordinarily rapid growth with low and stable inequality.

Decolonization of sub-Saharan Africa in this period was followed by moderate growth in the region. Inequality trends are not well documented. While the level of inequality was generally high, there is not much evidence for a trend increase in inequality in the few countries for which measurements are available.

*Some Factors behind the Inequality-Averse Growth*

The World emerged from WWII with a strong commitment to reduce inequality. It had long historical roots. In the West the quest for equality had its roots in the perceived injustice of capitalism that took coherent intellectual shape in the 19th century in the writings and mobilizations of a variety of socialist schools culminating in Marx. The political movement for socialism got fractured during the Second International: while its Leninist wing captured political power by staging the Bolshevik revolution in Russia in 1917, the social-democratic wing continued its battle through electoral means and temporarily succeeded in capturing or sharing political power in a number of countries during the inter-war years. Rapid growth of the USSR during the period when the advanced industrial countries were mired in the great depression created much international admiration for the system especially while, for a period, the true proportions of Stalinist atrocities remained unrecognized. The moral authority of socialism was further enhanced by the great sacrifice made by both the USSR and the socialists in the European resistance in defeating fascism. In the aftermath of WWII capitalism in the advanced world had to be on guard against the moral appeal of socialism. An indicator of the appeal of socialism is that even as WWII was being concluded, Britain ditched Winston Churchill, the architect of victory, in favor of the non-descript Attlee whose Labor Party instituted widespread social democratic reforms within its short tenure of six years. The degree of consensus for the social democratic safety net is further illustrated by the fact that the return of Churchill to power in 1951, and the long period of conservative rule that followed, did not dismantle the social protection instituted by the Labor Party. This phenomenon also prevailed in Europe where social democratic reforms were retained when conservatives periodically returned to power.

Another important feature of the postwar industrial economies was the universal adoption of Keynesian macroeconomic policies which ensured full or near-full employment by monetary and fiscal policies pursued by the state. This again transcended the difference among social-democratic, conservative and liberal political parties. To illustrate, conservative British Prime Ministers Harold Macmillan and Edward Heath were avowed Keynesians. The maintenance of high aggregate demand endowed the workers with strong bargaining power.

The socialist world of course continued to enforce their arbitrary egalitarian policies. For a period, during post-Stalinist years, there even arose the tantalizing hope that the system might be able to reform itself to attain greater economic efficiency. While the autocratic nature of actually-existing socialisms became clear quite early in the postwar period, it was not until late in the 1970s that the West ceased to be constrained by its perception of socialism as a serious systemic competitor.

Decolonization of the third world was brought about by mass movements which promised greater equality and prosperity for the people. It is possible that the shadow cast by the Chinese revolution fuelled the radically egalitarian redistribution of land in some East Asian countries. In many other newly-independent countries, economic growth was sought under mixed economic systems promising a direct role of the state in promoting mass welfare. Actual economic policies adopted by these countries often failed to promote egalitarian distribution in a consistent manner. The import-substituting industrialization and the many variants of "primitive capital accumulation" in these countries often allowed the rich and the privileged to make disproportionate gains in wealth, but the strong rhetorical commitment to social justice, backed by such measures as half-hearted land reform, public distribution, and price control, acted as a brake on inequality if often at the cost of economic inefficiency.

## The Ascendancy of Inequality in the Last Three Decades

### *Illustrative Trends in Inequality in the Last Three Decades*

Approximately around 1980 all the above changed and the world as a whole came to move towards greater inequality. We shall limit ourselves to illustrations in each of the three broad categories of countries: the developed capitalist countries; the socialist world; and the developing countries. In all groups of countries in all major regions, inequality has increased, often greatly.

Let us begin with the USA as the representative of the subgroup within the capitalist countries of the "purer" market economies. The Gini index of inequality among households was 39.7 in 1967 and perhaps a shade lower in the 1970s. According to the US Bureau of Census it had increased to 46.9 by 2005, a very substantial increase. A recent report by the Congressional Budget Office provides more graphic estimates of the change in income distribution between 1979 and 2007:

1. The share of after-tax household income for the top 1 percent of the population more than doubled, rising to 17 percent in 2007 from 8 percent in 1979.
2. The most affluent fifth of the population received 53 percent of after-tax income in 2007, up from 43 percent in 1979.
3. The lowest fifth of the population received about 5 percent of after-tax income in 2007, down from 7 percent in 1979.
4. The remaining three-fifths of the population – the broad middle class – suffered a loss in their income share, from 50 percent to 42 percent and each of the three quintile groups suffered an income loss ranging between 2 and 3 percentage points.

The real increase in inequality has been greater than what the above numbers show. The decline in the income shares of the low and middle income groups took place despite a sharp increase in the number of earners, principally female, per household, rising debt per household and the loss of much of pension benefits. That this can happen in a society that claims to be based on a democratic form of government in which policy makers are regularly elected by people enjoying universal suffrage is a conundrum that baffles human mind. In the advanced capitalist world the US had the highest inequality and experienced the worst increase in inequality over the last three decades. But the change was in the same direction in most other countries belonging to the same category.

In the social democratic countries too inequality appears to have generally increased, though relatively modestly. The overall inequality of the distribution of income in the older social democracies – those in Scandinavia – continued to be low, their Gini indices being clustered around 25.

Estimates of Gini index for the socialist countries before the breakup of the system are subject to numerous problems of comparability, but reasonably reliable orders of magnitudes would be around 30 for Russia and lower for China. Russia's transition to capitalism was characterized by the plunder of assets and wealth by the elite that gave rise to greatly aggravated inequality. The estimates of Gini index of 39.9 for 2001 and 42.2 for 2009 that the CIA sources report are undoubtedly underestimates, missing out astronomical incomes at the upper end and making little allowance for the consequences of the breakdown of the social safety net, albeit imperfect, that prevailed under socialism. Some of the indicators of the dire circumstances are: the fall in labor force participation between 1990 and 2008 from 75 to 69 for men and from 60 to 57 for women; and a sharp fall in male life expectancy according to the data reported by the World Bank. The Gini index of personal income distribution for China has steadily increased, especially since the start of its integration into the world economy in the mid 1980s and reached 41.5 by 2005.

In South and South-East Asia inequality increased over the three decades even though the battle of the numbers rages in several countries. There is little doubt that inequality in India has reached a qualitatively new peak, with the kind of vulgar and wasteful display of wealth that would be unimaginable a few decades ago. In Latin America inequality increased pretty much everywhere, starting in Chile with the savage changes under Pinochet in the 1970s and then generally spreading throughout the continent during the 'lost decade' of the 1980s when extreme stabilization and the dismantling of support for the protected domestic activities led to both stagnation and inequality. This is a trend that continued in Latin America until at least the middle of the first decade of the new century whence began a change discussed later.

For the few countries in the Middle East and North Africa for which information is available – e.g. Egypt – inequality seems to have greatly increased. Same is the case for the countries in sub-Saharan Africa.

A word about inequality trends in Bangladesh on which I have written extensively. In the period since the beginning of the 1990s inequality has increased steadily. The point to note is that much of the increase was due to disequalizing structural changes accompanying the acceleration in the rate of growth. There was little public action to offset the structurally-induced forces of inequality.

*Some Frequently Suggested Caveats*

One point made by those who are unconcerned about above trends is that while inequality within nations has increased, it is possible, indeed quite likely, that it has not done so for the world population taken together. The argument is that the phenomenal growth in China and India, together accounting for more than a third of world population, has reduced the inequality between an average Chinese/Indian and an average inhabitant of the industrial world. The possible reduction in "between-country" inequality may have offset the rise in "within-country" inequality.

The argument is inspired by the work of two European economists, Bourguignon and Morrisson, who have estimated the inequality of personal income distribution of the entire world population for selected years starting in 1820 and ending in 1992. It shows an increase in inequality over the entire period. For our immediate purpose, it is interesting to note that the work shows a decline in world inequality between 1950 and 1960 and thereafter a steady increase. Notably, however, "within-country" inequality remained steady between 1950 and 1970 and increased thereafter, a finding confirming our argument above. It also shows steady increase in "between-country" inequality since 1960.

I do not find comfort in this argument. It is the inequality prevailing in one's own society that matters in determining the welfare, dignity, self-respect and motivation of the population; when this inequality soars, it is of little consolation that some esoteric index of combined inequality between them and the unknown societies in far-off lands has not increased to the same extent. Quite apart from this fundamental objection to seeking comfort in the possible decline in inequality among world citizens, it is not particularly likely that such an index, had it been possible to estimate it, would show a decline in inequality. Indeed the difference between an average Chinese/Indian on one hand and an average citizen of the advanced countries has declined over the last two decades, but that does not guarantee that "between-country" inequality has declined. First, there are many poor countries for which income difference with both the advanced countries and China/India has widened. Furthermore, increasingly smaller proportions of China's remarkable GDP growth were passed on to households as personal income. Secondly, inequality within China and India, as well as in most other countries increased so fast that it would be too optimistic to hope that their total effect would be more than offset by any possible (by no means certain) reduction in "between-country" inequality.

Another point often made, especially by the international donors, is that inequality *per se* is of no great cause of concern as long as poverty declines; as long as the absolute income of the population below some *arbitrarily determined* poverty threshold increases, it does not matter if inequality in the distribution of income increases. An extreme version of this thesis, popular in China in the early years of launching reforms, goes as far as to claim that rising inequality facilitates poverty reduction. One might indeed make a case for this thesis in the early years of reform in China by arguing that the extreme and arbitrary egalitarianism of the Maoist period was such an impediment to growth that their abolition was a precondition of greater welfare for all, including the poor. But this is at best an argument for the dismantling of incentive-destroying arbitrary egalitarianism which could not have launched societies along the path of massive inequality as experienced in reality. As long as growth is accompanied by rising inequality – a smaller increase in income for the poor than for the rest – the society experiences a slower than potential decline in poverty. For the society that constitutes an unnecessary sacrifice of aggregate welfare.

More fundamental objections to inequality, even when benefits of growth trickle down to the poor, are that beyond a point it is unjust, socially degrading, and an obstacle to sustained economic growth. A degree of inequality is permissible, may even be desirable if it arises out of rewards for differences in efficiency and incentives necessary to promote growth. That many of the wealthiest contemporary societies have managed to maintain very high levels of distributional equality constitutes sufficient evidence that the "socially necessary inequality" can be small. When it is allowed to increase way above such levels, social cohesion, a necessary condition for human happiness, becomes fractured (note the opening quote of this essay, from the sayings of one of the most outstanding of the *Conservative* British Prime Ministers of the 19th Century). High inequality is also unjust. It is a myth that existing inequality in countries like the USA, China and Bangladesh – to pick three very different cases – is market driven. High and rising inequality, of which these countries constitute examples under different economic and political organizations, arises because the market is manipulated in favor of the rich and the powerful. To cite examples: public investment disproportionately provides benefit to the rich; public finance in the wealthy USA is so fundamentally corrupted by the financial power of the rich and their lobbyists that the richest billionaires pay lower proportions of their income in taxes than do the middle income groups; losses sustained by the wildly speculating bankers are covered by public funds while the poor, trapped in the bubbles created by such speculation, lose their homes; social parasites get shares of contracts from public procurement by virtue of their connection with political power. Political democracy ceases to function under skyrocketing inequality. While China is openly a one-party state, the USA operates a de-facto one-party system by virtue of the fact that most members of the congress, belonging to both the parties, are in the pockets of the wealthy who finance their elections. (To quote from Jeffrey Sachs' recent book: "On many days it seems that the only difference between the Republicans and the Democrats is that Big Oil owns the Republicans while Wall Street owns the Democrats".) Finally, great inequality leads to the breakdown of effective demand without which the economy grinds to a halt. The ongoing stagnation in the USA and the ridiculous but desperate Chinese policy of accumulating huge US financial assets that yield little return because domestic consumption growth is sluggish due to lagging income growth for the masses: both are testaments to this fundamental truth.

## Causes of the Great Shift

The great shift in trend in inequality was associated with three simultaneous changes: the collapse of actually existing socialism; the shift of the advanced capitalist world towards what is often characterized as greater free-market policies; and the gradual rejection of the import-substituting industrialization strategy that had guided the development of an overwhelming proportion of developing countries. All these are large topics that have been analyzed by different schools of thought. I shall provide no more than an impressionistic outline of what I believe to have been the main contributions of each of the above to the shift in trend towards greater inequality.

*The Collapse of Socialism*

It is ironical that Marxian socialism, predicting the ultimate and inevitable demise of capitalism due to its internal contradictions, should itself die of the same reason. The replacement of the capitalist market by central planning by command in which bureaucrats and administrators made arbitrary decisions about production and distribution robbed the economic system of the ability to satisfy such basic tests as balancing supply with demand not to speak of more difficult but equally essential need to make the most efficient use of resources in the process of balancing supply and demand. To the extent that the market is an institution that promotes "conversation"– to paraphrase a characterization attributed to Amartya Sen - among consumers, producers and workers, both domestic and foreign, in order to arrive at relative costs and values of goods and services, it is simply a technical tool to facilitate efficient production and distribution, just as are technology and scientific knowledge. The market can of course be made to serve as a tool for exploitation, but that requires additional institutions like unequal ownership of resources, information and power. A socialist market should have freed the "conversational" role of the market from these exploitative instruments and used it as the tool for planning. Instead, actually-existing socialism completely rejected the market, thereby committing the central planners to navigate the maze of economic decisions without any rudder. I am not suggesting that the other blemishes – absence of individual freedom and democracy, brutal suppression of dissent, intolerance of autonomy within the 'empire' – did not contribute to the decline. All I am saying is that the system of central planning by command was a sufficient reason for the ultimate collapse of the system under the weight of economic inefficiency and the consequent inability to fulfill peoples' material aspirations.

Ironical again is that the infeasibility of the system of planning by command was foreseen in the critiques before and immediately after the system first came into existence and indeed, by the mid-1930s a model of decentralized socialist planning in a market in which consumers, workers, and socially-owned enterprises freely interacted, had been worked out as an answer to these critiques. Why actually existing socialism never seriously considered this alternative is one of those "what if" questions that we do not know answers to.

By late 1970s the system had started to disintegrate. The change first came to China which, in an orderly manner, embarked on what turned out to be a transition to capitalism under one-party rule. The Soviet Union and its European and Central Asian 'empire' followed suit in a situation of vastly greater chaos a decade or so later. With the demise of the system also ended the arbitrary but egalitarian distribution of income that characterized actually-existing socialism. Many of the former Soviet Republics emerged as the most unequal countries of European and Asian regions within a matter of years. Somewhat more gradually, over a quarter of a century from the start of systemic change, China had transformed itself from one of the most egalitarian of Asian nations to one of its most unequal.

*The End of Consensus for Limiting Inequality in the Capitalist Countries*

The postwar decades of relatively inequality-averse prosperity in the capitalist world did not mean that these countries had ceased to be capitalist. Over these decades, in many of these countries there was a shift in the share of income in favor of the working population, against the capitalists. It was inevitable for the capitalists to fight back. The first casualty in this fight was the commitment of the capitalist countries to full employment which had strengthened the bargaining power of the workers. By the 1970s, the previous commitment of these countries to emphasize full employment over price stability had been reversed. These countries became committed to increasingly more conservative inflation targets and became openly willing to tolerate greater degrees of unemployment. This was not quite enough to curb trade union power. Wage bargaining is carried out in nominal terms and an obvious way for the capitalists to fight back was to adjust prices upwards. The problem with this approach is that it leads to the appreciation of the real exchange rate, thereby robbing the country of international competitiveness. The new international economic order set up at Bretton Woods after WWII was based on fixed exchange rates; frequent exchange rate adjustments were strongly discouraged in favor of domestic stabilization dictated by the need to keep the exchange rate unchanged. The decoupling of the dollar from gold in the early 1970s effectively ended the system of fixed exchange rate making it easier for countries to pass on the burden of adjustment on the exchange rate. But the most effective instrument that the capitalists needed to weaken the bargaining power of labor was the freedom for capital to move internationally, away from where labor was strong and expensive to where labor was weak and inexpensive. The gradual move towards freer trade in goods under the auspices of the GATT that had been going on among the advanced industrial countries since the end of World War II received a qualitative leap in the globalization of the world economy encompassing free trade in services, free international capital movement and guaranteed respect for intellectual property. Politically the victory of Mrs. Thatcher in Britain in 1979 and Mr. Reagan in the USA ushered in an era of deregulation, privatization, bashing of trade unions, lowering of the marginal tax rates, curtailment of social benefits and a general lowering of the rate of domestic investment.

Many analysts have blamed the rising inequality on the rapid technological change that has exacerbated the earnings differential between the skilled and the unskilled. This may have played a part but provides no justification that the rise in inequality was largely a result of some inexorable process of history. For one thing, this by no means explains the huge increase in the income share of the top one percent which had much more to do with deregulation, change in tax laws and other policies redistributing income in favor of a tiny minority at the top. Furthermore, public policy did nothing to improve the distribution of access to skill and education in step with the changing composition of demand for skills.

Capitalism is also the economic system underlying the social democracies. They too had to respond to globalization and preserve the competitiveness of their economies by instituting changes, especially those related to the functioning of the labor market, retirement age and such other benefits. The strong social consensus in favor of the prevalent system, however, prevented a significant dent in social protection and distribution of income.

*The Developing Countries*

With the exception of the handful of East Asian countries which had adopted an inequality-averse, externally-oriented development strategy, the rest of the developing countries had largely adopted some form of import-substituting industrialization (ISI) with varying degrees of public ownership and intervention. A great deal has been written about the inefficiency of the ISI strategy. The protectionist wall that it created to promote domestic production of goods and services previously imported from abroad, meant discrimination against exports and, almost inevitably, highly variable rates of protection for different goods and services, thereby severely distorting the efficiency of resource allocation. The distributional effect of the strategy was also quite often unfavorable as a result of artificially transferring income to the industrialists and traders away from the consumers and the producers of primary exports, often the poor peasants. The rhetorical egalitarianism of the regimes in these countries often translated itself into compensating public interventions: mild attempts at land reform; public distribution of subsidized food, production inputs and services; and other redistributive measures.

Critiques of the inefficiency of the ISI strategy had been crystallized in the writings of economists since the late 1960s and the international development agencies like the World Bank and the IMF had been urging reform of the system. By 1980 the debt crisis in Latin America gave these agencies, and the advanced industrial donors, the opportunity to impose reforms through their "structural adjustment" lending instruments. Gradually the developing countries dismantled the quantitative measures of protection and drastically brought down tariff protection. Together with the reform of the trade regime came the other components of the Washington consensus: privatization, deregulation, cost-recovery, budgetary stabilization and so on. While the reforms were imposed on the countries in need of credit from the developing world, they were often voluntarily adopted by other developing countries – notably, Chile, China, India, Vietnam - which perceived the inefficiency of the ISI and the opportunity that integration into the global economy provided.

Orthodox economic theory made a strong case that for the developing countries, with a relative abundance of labor and scarcity of capital, the move from protection to free trade would not only promote greater efficiency but also greater equity. Freer trade would result in greater specialization in production and export in goods and services that use the abundant factor, labor, more intensively, thereby raising the earnings of labor relative to the return on capital. Note that the theory predicts that for the developed countries greater efficiency would be combined with an opposing effect on the relative factor prices, wages falling relative to profits. Thus economic theory promises a stronger case for the developing countries for their integration into the world economy, both greater efficiency and greater equality. And yet the distribution of income in the developing world that shed the ISI strategy became worse, often dramatically so, in the age of globalization. By now this counterintuitive outcome has been extensively analyzed. I shall summarize some of the major explanations that I identified in my past work.

Trade theory making the above prediction, like most economic theories, does not allow for the cost of transition. Often a huge proportion of industries in the ISI countries were characterized by enormous irrationalities. Perhaps the most outstanding example is the state enterprises in China which had huge surplus labor, a legacy of the past policy of using state employment as a system of concealed unemployment insurance. This was also true of many mixed economies, e.g. India, where state-owned enterprises employed workers far in excess of economic need. As these countries opened up to international competition, the new export-led industries, often suitably labor intensive and rapidly creating employment, coincided with the restructuring of the state-owned enterprises which, opened up to the competitive pressure of globalization, shed the surplus employment inherited from the past. The result was a very slow, even negative aggregate employment growth in industries even when they experienced extremely rapid output growth, thereby effectively appearing to repudiate the prediction of theory. This period of "transition" has gone on for decades in China despite its hyper growth, with disastrous consequences for the poor.

Opening up of the developing countries to the global economy was often initiated in a crisis environment of unsustainable macroeconomic imbalance in which they were made by the international development institutions and lenders to swallow extreme fiscal retrenchment and monetary squeeze. Often the stabilization programs severely reduced growth and forced these countries to cut benefits for the poor. While in rare cases national policymakers may have preserved some of the benefits for the poor, the general outcome was to drastically reduce them. Food subsidies and subsidies for small producers were reduced while much higher proportions of the costs of primary education and health care were recovered.

The inflow of foreign direct investment was highly unequal among countries. More importantly, within the recipients it tended to be concentrated in the richer regions which had better infrastructure and more skilled labor supply. By contributing to greater regional inequality, this exacerbated inequality in overall personal income distribution.

Finally, there were specific structural features of individual economies that made the process of integration into the global economy more unequal than visualized by trade theory. The point might be illustrated with reference to India whose exports at the margin consist of a high proportion of highly employment-hostile (i.e. hostile to the employment of the unskilled and the poor) sectors. Even before opening up to the world economy India had gained *potential* comparative advantage in skill-intensive activities like information technology due to a large surplus of highly-skilled humanpower – a result of the Nehruvian policy of investment in higher education, much-derided in the past - combined with the prevalence of English language. Once globalization created external demand for these services, the potential comparative advantage in these activities was converted into *actual* comparative advantage. Their exports surged ahead, an example of the classical "vent for surplus". Income from these activities was very unequally distributed because the factors of production, including skilled labor, belonged to the richer sections of the population.

Many of these forces might have been offset by appropriate public action: low employment intensity of growth during transition could be offset by large public works programs if the fiscal constraint had been more flexible or, as China's case, the mad rush for the accumulation of foreign assets could be moderated; changes in the composition of public revenue and expenditure might have better protected the poor and limited the rise in inequality. There has indeed been some action along these lines in very recent years. But for most of the three decades in most of the developing countries there was little determined action to rein in the forces of rising inequality.

## What Explains the Tolerance of the Greatly Increased Inequality?

"There's class warfare all right, but it's my class, the rich class, that's making war, and we're winning", thus spoke Warren Buffet, the great American entrepreneur and the second richest person on earth. This pithy statement encapsulates a historic change. During the first three-quarters of the twentieth century the working people achieved gradual gain in the struggle that they waged against the privileged by way of redressing the perceived injustice of capitalism. During the last three decades the roles have been reversed: it is the privileged wealthy who became the aggressors in this struggle and they have attained significant victories by reversing the distribution of income and wealth in their favor. How did they stem and then reverse a trend that was once believed to be historically determined to end capitalism or at least rid it of its exploitative fangs? This is a big subject. Finding answer is not simply beyond individual effort, but beyond the capacity of any single branch of social science. I shall put forward some preliminary thoughts.

### *The End of the Socialist Challenge*

I have argued that the "Marxian" socialist regimes were a distortion of the idea of socialism which deserved an immensely better translation into reality. They were economically inefficient, socially disruptive, aesthetically barren and politically oppressive. And yet the power of the idea was so strong and the early economic performance of the actual regimes appeared so attractive relative to the morass in which the capitalist world found itself in the interwar period that, even as recently as the 1960s, they were perceived by many serious Western economists as credible challenger in economic competition with capitalism. This perception moderated the behavior of the capitalist world. Postwar rebuilding of Europe, pursuit of domestic full employment, sharing prosperity with the masses, assistance for non-socialist development of the Third World: these became the cornerstones of US policy. Postwar American occupation in East Asia strongly encouraged, even imposed, redistributive land reform. This perception of the socialist world as a potential economic challenge gradually evaporated during the 1970s, long before the actual collapse of the system. Along with that went the self-imposed restraints of postwar capitalism which gradually abandoned the commitment to full employment and created the architecture of globalization, instruments that empowered it to fight the demands of the working people. As noted above, the intensity of this class war varied across the capitalist world. In the USA, Britain and other "fundamentalist" market economies it took a rather extreme form while the dominant consensus in more social democratic countries led to the exploration of incomes policies and extraction of fewer concessions from the working people.

The demise of socialism also profoundly affected the developing world. Over much of the developing world the postwar decolonization coincided with a quest for non-capitalist development. Often, as in the case of India, it took the form of a rhetorical commitment to socialism even though the countries were following a predominantly capitalist path. The demise of actually existing socialism brought about a major shift in the orientation of the developing countries. For most of them the demise of “Marxian” socialism spelled the end of the quest for major redistributive policies and egalitarian strategies, an unwarranted conclusion. This was a large negative externality of the demise of “Marxian” socialism: even those “generic” socialists, who disapproved of this distorted form socialism and would pursue egalitarian goals by democratic means, paid a heavy price in so far as socialism widely became a dirty word for many. Simultaneously, forces within the developing world that had long been critical of ISI and statist strategies seized this opportunity to bring about widespread changes in domestic policy. The international development agencies, seeking integration into the global economy, privatization and reduction in public intervention, found allies in these domestic forces.

*Changing Character of Capitalism*

Those of my generation who began questioning capitalism in their youth started with an image of the system in which the masses of workers, clustered in factories, were subjected to exploitation by the few capitalists who derived their power by virtue of their ownership of means of production. The struggle against capitalist injustice consisted of organized effort on the part of the workers to wrest concessions from the capitalists and ultimately in capturing the ownership of the means of production that they owned.

This picture of capitalism, always a simplification, has become vastly less real with the passage of time. For one thing, in advanced industrial countries, the proportion of employment in manufacturing and other industries has drastically declined over time. While at peak, the proportion of workers employed in manufacturing was close to half the employed work force, in the USA and the UK it is now about 10 percent, in France 13 percent and in Germany, an outlier among the developed countries, 20 percent. Vast majority of employment is in the services, where traditional working-class solidarity is hard to build. In the developing countries going through the historical process of industrialization, it was normal for manufacturing/industrial employment to peak above 40 percent of the work force before starting to decline. In many postwar cases of successful industrialization this peak fell well below 30 percent.

There has long been a comparative divorce between ownership and the capacity to appropriate surplus. Today’s capitalism is characterized by a widespread ownership of equity. In the USA nearly half the households own equity and bonds even though the distribution of ownership of these assets is very highly skewed. Huge incomes accrue to top management and these incomes are often unrelated to ownership of the enterprises that they manage. It is the control of assets, rather than ownership, that gives today’s top management, who decide what they pay themselves, their power. This is particularly the case with the finance sector which, in the deregulated environment of the recent decades, has been the principal sector of income/wealth concentration. Diffused ownership of equity on the part of the workers has bestowed no power on them. Instead it has greatly weakened their proletarian identity.

In the United States in particular the political process has relentlessly misinformed the population about the ease of upward mobility while in reality it has become increasingly more difficult for the poor to move up: a 2010 OECD report established that the US ranks much lower than the European social democracies, as well as Canada and Australia, in this regard, Britain and Italy being the only European countries where upward mobility is harder than in the USA. Be that as it may, the perceived change in the poor's identity has made it easier for them to tolerate increased inequality. One is reminded of John Steinbeck's profound insight: "Socialism never took root in America because the poor see themselves not as an exploited proletariat but as temporarily embarrassed millionaires."

*Shift of Focus away from Inequality in Developing Countries*

In the developing countries a shift in vocabulary of development gradually metamorphosed into a shift in development priorities. During the late 1970s poverty reduction was adopted by the international development agencies led by the World Bank as the principal development goal. This gradually led to the development of a case for separating the goal of poverty reduction from the goal of distributional equity. Indeed the discussion of distributional equity completely evaporated from the making of development policy. The argument did not quite go as far as that of the Chinese reformers in the post-Maoist period, emblazoning the slogan "Fight Egalitarianism" on their flag. But increasingly, if implicitly, the argument became that the tolerance of inequality may be desirable from the standpoint of poverty reduction, that greater inequality was a precondition of higher growth which permitted a faster reduction of poverty. There was an endless parade of slogans and objectives - poverty reduction, reduction of extreme poverty, empowering the poor, inclusive development – but the absolutely necessary link between inequality aversion and these myriad goals was carefully left out of agenda. This of course suited the powerful domestic groups whose vulgar enrichment did not have to be seen as an obstacle to poverty reduction.

*Islands of Hope in the Ocean of Despair*

I shall conclude this section by highlighting a few exceptions and new developments. Most of the European social democracies have retained their systems of social protection even though adjustments had to be made and some increase in inequality has taken place almost everywhere. The oldest social democracies, the Scandinavian countries, have managed to retain their egalitarian distribution of income with Gini indices clustered around 25 in the most recent years for which information is available. As we have noted, they too belong to the capitalist system; but they seem to have been able to reach a social consensus that has limited the consequences of the adjustment of their economies to the challenges of the recent decades. The few East Asian countries that pioneered the strategy of inequality-averse, export-led growth in the postwar decades also appear to have suffered relatively small dents in the egalitarianism of their distribution.

But perhaps the most optimistic story relates to what has happened to Latin America in very recent years. The region has withstood the financial crisis of 2009 quite reasonably well and income inequality, still very high by all absolute standards, has fallen in recent years in a large majority of these countries. The phenomenon is being studied by researchers. A preliminary assessment notes that while the reasons for this decline vary across countries, there are some common elements. The most important among them is the increasingly progressive fiscal policy with a focus of public spending on the poor. Chile and Brazil are relatively well documented cases of this trend. Demographic changes, interacting with positive changes in health and education, have helped.

## The Future

While in the first year of the great recession income loss hit all income groups in the USA as in most industrial countries, since 2010 the rich seem to have done quite well, with high bonuses in the Wall Street restored, as the number of the poor and the near-poor has greatly increased. High inequality is a principal cause why the recovery has eluded these economies. In the USA the stagnation in consumption demand has not occurred across the entire distribution of income: at the beginning of the 2011 holiday season reports suggest that upscale retailers have been finding it difficult to cope with demand while retailers of mass consumption goods have experienced stagnant or declining demand. Great inequality in distribution has itself become a brake on recovery and growth. One would have hoped that in the near term the policymakers would concentrate on augmenting the incomes of the masses by focusing on the reduction of unemployment; instead they have been mired in a world of Alice, directing their energy on the further reduction of aggregate demand in the name of public debt reduction.

The tolerance of inequality, however, appears to be wearing thin. In September 2011 in New York – "a city more at home in the world than in its home country" (to quote Tony Judt from *Memory Chalet*) – was born the Occupy Wall Street movement, entirely focused on the intolerable inequality and the predatory accumulation of wealth by the top executives in finance and industries, those whose actions wreaked havoc on the poor and the middle classes. It quickly spread around the world to become the first major counter offensive against the class war unleashed by the wealthy three decades before. It is too early to say whether it will grow into a truly formidable mobilization against inequality. Internationally, less visible discontents have been brewing in the developing world, interestingly encompassing the most rapidly growing countries, India and China, where official and World Bank estimates have claimed rapid reduction of poverty. Yet in India vast tracts of the country have been virtually taken over by the insurgents and reports of sporadic violence have regularly trickled out of China. In both cases the focus of insurgence is on the massive increase of inequality.

If these protests gradually crystallize into global resistance against inequality and the trend in inequality over the last three decades finally gets arrested and reversed, what would the shape of change look like? It is hard to chart the process by which societies might evolve into less unequal ones and it makes little sense to visualize the details of policies. Instead I would conclude this essay by highlighting some broad issues that should feature prominently in shaping the creation of less unequal societies in the future.

### *Return to Past Forms of "Marxian" Socialism is not an Option*

In the advanced capitalist countries, as in the former socialist countries, this alternative has by and large been abandoned. But in numerous developing countries a curiously unreal pursuit of the goal continues. Examples range from the Maoists in Nepal and insurgent movements in India on the one hand to the Marxist parties and fringe groups that continue to operate in many countries. There is little evidence that they have understood the real causes of the demise of actually existing socialism; most of them continue to attribute it to such factors as imperialist conspiracy – as if the benevolent tolerance by the imperialists was the precondition of success of world socialist revolution – and avoidable mistakes made by the socialist countries. In my conversations with a number of such groups in South Asia I have often asked, in the unlikely event of gaining power, what would they do differently in such matters as agricultural collectivization; wholesale state ownership of industries and services; and central planning by command. Rarely the answers have been different from reiterating that they would do the same things, only “better”; for example avoiding coercion when persuasion would serve. Often there is admission that the rejection of democracy was a bad idea; but there is little repentance of the rejection of the market. I do not think that these Marxists have the possibility of exerting significant political influence or capturing political power. But the pursuit of these unreal objectives is a sad waste of energy. This is particularly the case for the large organized movements, like the Maoists in Nepal who have become integrated into the mainstream political process and must share governance. This is also true for many insurgent groups, like those in India, who have made great sacrifice in their fight against inequality and injustice but may not have formed clear views about what went wrong with the past revolutions.

Over three-quarters of a century – the so-called short twentieth century - actually-existing socialism has been experimented with in a variety of forms but always with certain common features: replacement of the market by a system of central planning by command; state and collective ownership of productive assets; and single-party rule. Theoretical alternatives based on decentralized decision making by many (publicly or collectively owned) enterprises and freely-acting consumers and workers have so far remained untried; these models are at best incomplete operational blueprints for practical implementation. It is not possible to visualize sufficient organized enthusiasm for experimentation with such models given the overwhelming disrepute that socialist experiments managed to sink into.

*Capitalism is the Only Systemic Starting Point for the Quest for Inequality Reduction*

To the generation that started in the postwar years with the quest for an alternative to capitalism, widely-perceived as an exploitative system, this might come as a discouraging realization. But it is merely a statement of fact, not of normative preference. Refusal to work within the available framework, seeking alternatives in “de-linked” activities on the periphery, or grand pursuits of systemic alternatives are non-starters. One might even derive consolation that this is merely a century-delayed correction of the Leninist-Maoist leap to bypass capitalism which is far too important a phase in history to try to escape. By leapfrogging from feudalism to socialism one gets nothing better than feudalistic socialism.

Demoralization might also be overcome by recognizing that capitalism has many alternative forms. As I have noted above, the social-democratic form has almost certainly had the finest record of distributional equality, human dignity and political democracy. This is a system that accepts the basic capitalist institutions of private ownership and market, but imposes strong social oversight in the form of regulation of industries, public provision of basic services, publicly-operated or publicly-supervised social protection, institutionalization of social mobility - all financed by high marginal taxes and all based on broad social consensus. The system has withstood many challenges and adapted itself to many changes without sacrificing the basic egalitarian outcome.

There are other forms of capitalism, in Japan and certain other East Asian countries, which cannot be categorized as social democratic but have succeeded in creating egalitarian distributions of income. Historically this has depended on guaranteeing employment to working members of the society; institutionalizing a tradition of sharing the benefits of capitalist growth with the working people; and creating wide opportunity for the acquisition of human capital in addition to large-scale redistribution of the principal asset, land, at the onset of development.

Possibilities of evolving newer forms – wide cooperative ownership sustained by publicly-provided methods of overcoming the disadvantage of small scale – are certainly worth experimenting with. Finally, the recent Latin American experience is evidence that the beginning of the reversal of inequality is possible within the capitalist system by fairly modest methods – restructuring of fiscal policy – without an upheaval. Bigger changes must be possible with more serious adjustments in the functioning of the system.

*Future Mobilization for Egalitarian Change Must be Based on New Alliances*

The change in the character of capitalism warrants a change in the mobilization to fight its injustice. The profound change in the self-identity of the working people – who have far more to lose "than their chains" – has destroyed their vanguard role visualized in the 19th and 20th century struggles for social revolution. Indeed, it is not at all easy to know if a majority alliance for any big, qualitative change in the distribution of income is at all feasible in many of the modern capitalist societies. Changes may have to be brought about at the margin, small in magnitude in any single round, cumulatively large over a period of time. For most developing societies fundamental political changes – like those targeted by the Arab spring of 2011 – would have to be based on broad mass mobilization. But it is hard to see that societies that emerge after such upheavals would easily agree about the distribution of economic power, income and wealth.

*Right to Employment Should be the Centerpiece of the Struggle for Inequality Aversion*

"A man willing to work, and unable to find work, is perhaps the saddest sight that fortune's inequality exhibits under the sun": the statement rings as true today as when these words were spoken by Thomas Carlyle a century and half ago. The postwar decades of equality and high growth were characterized by public commitment to high employment. This commitment was abandoned in what I have called the class warfare that the leaders of capitalism launched against the working people. Attempts by the disciples of Keynes in the 1950s and 1960s to reconcile full employment with macroeconomic stability by "incomes policy" was replaced by policies invoking "natural unemployment", a concept bolstered by the theories of mainstream economics of my generation. The political descendants of the 19th century conservative British Prime Minister with whose words this essay begins are currently engaged in extensive cuts in Britain's social protection to compel the "lazy unemployed" to seek work in the clear sight of hundreds of unemployed queuing up to compete for a handful of job openings.

The commitment to full employment needs to be brought back and any conflict between high employment and price instability must be resolved by social compact like "incomes policy" rather than the waging of class war by the capitalists armed with the weapon of unemployment. It is, however, not obvious that individual societies can fully and decently employ their workforce without major restructuring of work pattern, training pattern, trade pattern and more. It is sad that those who do not find it unusual for the state to serve in the role (via the Central Bank) of the lender of last resort to the banking system; the insurer of last resort to those living under the threat of natural disaster; guarantor of bank deposits; protector of bankruptcy of firms that are "too big to fail", instinctively raise their eyebrows at the mere suggestion of the state taking over the role of the "employer of last resort".

*Democracy Helps Egalitarian Policies*

Recent Latin American success in arresting the trend of increasing inequality owes a great deal to the restoration of democracy, a form of democracy that goes beyond nominal franchise and establishes regimes capable of reflecting popular will. There is an urgent need to rebuild democracy in much of the world. Its absence, easily recognizable in societies like China, is far more pervasive if unobtrusive. Periodic elections in countries like Bangladesh have at best given the people the power to get rid of a given government, but not the power to prevent the return to authority of the same forces regrouped under a different umbrella. Large-scale disenfranchisement of the poor and low-caste groups characterizes India. In the United States democracy has been eroded by the control that the rich exercise over the elected members of the legislatures of both parties; the replacement of "the Supreme Court's steady and improving protection of individual freedom in the decades after the Second World War"… by the same court's "cold rain of right-wing activism in the other direction" (to quote from Ronald Dworkin's *Is Democracy Possible Here*) in recent decades; and the blatant ongoing attempts to disenfranchise poor groups. While the debasement of democracy itself is largely a result of the increase in inequality, movement towards its restoration helps return to acceptable levels of equality.

*Globalization is not the Enemy*

Fight against inequality is sometimes equated with the fight against globalization. This is a huge fallacy. For the developing world, the opening up of the global market is an opportunity to be exploited for rapid growth of employment-intensive exports and output, the surest foundation for inequality-averse growth. We have discussed how the actual outcome in terms of income distribution was different from this prediction of theory due to the absence of policies and actions to compensate for adverse transitional factors. While taking advantage of the opportunity of growth that globalization presents, developing countries must persist with the necessary compensatory policies during the transition. Above all, they must not allow globalization to go as far as to impose unrestricted free trade that would deprive them of the freedom to promote their worthwhile infant products and exports by means of efficient and time-bound support. A reversion to the inequity and inefficiency of the ISI is too real a possibility if countries reject integration into the global economy.

Trade theory does seem to predict a worsening of the distribution of income for the industrial countries as globalization takes place: income declines for labor, the scarce factor while income of capital, the abundant factor, increases. There is some evidence that this may actually have happened to a certain extent. If this goes unchecked, a backlash against globalization would arise in industrial countries. The point is that the composition of factor supply is not immutable: by endowing the unskilled and less skilled workers with skills and human capital and encouraging desirable changes in the structure of production the incomes of the workers can be protected from what the static trade theory predicts.

– – –

Annex

*Sources*

Gini ratios are, from the World Bank, US Bureau of Census, CIA and other named sources. The best way to access them is to make Google search of their websites. The Bourguignon-Morrisson paper is in *American Economic Review*, 2002. Recent changes in inequality in Latin America are discussed in WIDER *Angle Newsletter* of September 2011. My own work on inequality in Bangladesh is reported in joint papers with Binayak Sen in *Bangladesh Development Studies*, 2001 and 2006. Most of the other data can be found in different issues of World Bank's *World Development Indicators* or should be possible to access with a little persistence with Google search.

*Index of Inequality*

Consider the following data from Wikipedia article on "List of countries by income inequality". Note that these may differ from any reported data in the main text of the essay either because they are for a different year or because they are from a different source.

| | **R/P10%** | **R/P20%** | **Gini Index** |
|---|---|---|---|
| Sweden | 6.2 | 4.0 | 23.0 |
| South Korea | 7.8 | 4.7 | 31.4 |
| Indonesia | 7.8 | 5.2 | 36.8 |
| USA | 15.9 | 8.4 | 45.0 |
| South Africa | 33.1 | 17.9 | 65.0 |

R/P10% is the ratio of average income of the richest 10% of the people to the average income of the poorest 10%. R/P20% is the ratio of average income of the richest 20% to the average income of the poorest 20%. These are from UN sources and for a year during the first decade of the 21st century. The Gini indices are from CIA sources and usually refer to 2007 or an earlier year close to it.

Note that either of the ratios R/P10% or R/P20% can serve as a measure of inequality. They suffer from an obvious inadequacy: they are based on the comparison of two extreme income groups, the richest and the poorest. Overall income distribution should be judged by comparing incomes of all. The failure to do so is illustrated in the data: both South Korea and Indonesia have the same R/P10% value; but South Korea has a more equal distribution because the eight missing decile groups there have a better distribution than the corresponding decile groups in Indonesia. The virtue of the Gini index is that it ranks all persons (in practical cases all percentile or decile groups) according to the share of the variable for which inequality is being measured, makes a pair-wise comparison of each group with the immediately lower and higher groups and then sums up all these indicators of comparison into a composite index. It has the lowest possible value (the greatest conceivable equality) of 0 (when say everyone has the same income) and the highest possible value (the highest conceivable inequality) of 1 or 100 (when one person has all the income while everyone else has zero income). It is shown either as ratios – when values range between 0 and 1 – or as indices, when the ratios are simply multiplied by 100 so that the values range between 0 and 100. We have chosen to report them as indices. We could just as well have reported Sweden's Gini ratio as 0.23, USA's as 0.45 etc.

People differ in their perception of inequality. I would describe Sweden's Gini index as representative of the extremely egalitarian countries of the world, South Korea's as highly egalitarian, Indonesia's as moderately equal or moderately unequal, USA's as highly unequal and South Africa's as intolerably unequal.

– – –