To what extent, in what ways and why is inequality changing in the 21st century?

Inequality in the 21st century

In the twilight of the 20th century, soon after the fall of the Berlin Wall, Francis Fukuyama famously proclaimed "the end of history", predicting that pluralistic liberal democracy combined with free markets would ensure the enduring legitimacy of capitalism (Derrida, 2006, p71-72).

A quarter of a century later—in the dawn of the 21st—that thesis is increasingly hard to support. In the wake of a global financial crisis, with inequality levels rivalling those of the Belle Époque (Piketty, 2014, p530), we've seen the rise of populist movements around the world. It certainly doesn't feel like the end of history; it feels like the beginning of a new era of uncertainty, where the future of capitalism itself may be up for question (Fraser, 2014a, p55).

In this essay, I will explore the changing nature of inequality in the 21st century. Given the high levels of economic inequality, and the extent to which the market is increasingly ruling more of the world, there is presently a strong symbiotic link between economic and social inequalities, which often have economic underpinnings. Accordingly, this essay will focus primarily on the economic landscape that gives rise to various economic and social inequalities, with emphasis on the advanced economies, given their outsized influence in the world economy. This essay will discuss how various underlying economic trends intersect with other factors in transforming how inequality will be expressed in the 21st century.

Setting the scene

We can only understand the unique economic circumstances of the 21st century by looking to the end of the 20th. Of particular import is the shift toward neoliberal policy that occurred, to varying degrees, worldwide since the 1970s (Harvey, 2007, p2). Here, I will consider neoliberalism to be the "ongoing effort [...] to construct a regulatory regime in which the market is the principal means of governance" (Mann, 2013, p148), via the deeply imbricated phenomena of globalisation and financialisation (Mann, 2013, p143). The overarching goal is to shift the balance of power between capital and labour, in order to “restore and consolidate capitalist class power” (Harvey, 2011, p10).

One major component is financialisation, which refers to the growing importance of the financial sector as an outlet for capital, primarily as a way of restoring growth amidst falling rates of profit in other industries (Streeck, 2016, p62). Another component is the extension and enforcement of legal frameworks in areas like intellectual property (Mann, 2013, p149). Accompanying is the decline of the power of labour through the weakening of trade union movements (Harvey, 2011, p25).

Additionally, the geopolitical arena changed in the last few decades of the 20th century. The post-WWII “golden ages” were characterised by American economic dominance through the various institutional arrangements of Bretton Woods (Mann, 2013, p114). Since Bretton Woods’ collapse in 1971, the geopolitical system has been characterised by a Gramscian interregnum whereby national democracies are weak against the power of global capital (Streeck, 2017b, p166). Furthermore, neoliberal ideology has spread to most parts of the globe, leaving the global economy highly interdependent (Appadurai, 2017, p11).

Trends

No more spatial fixes?

One way to understand the current economic conjuncture is using David Harvey’s concept of the “spatial fix”, whereby the problem of falling profits in the advanced world is solved by exporting manufacturing to places with lower wage costs (Harvey, 2011, p50). In the 21st century, capitalism is coming up against the limitations of spatial fixes for overaccumulation (Collins, 2013, p44). Instead, there’s been a turn to speculation in the financial sphere, both before and after the crash; simultaneously, advertising is becoming key for artificially creating consumer demand for new products—products that are often “dissociated from material need” (Streeck, 2016, p65). Even in the 20th century, it was recognised that the challenge of contemporary capitalism was less in the realm of production—which, at the level of technostructure, could support “potentially unlimited productivity” (Baudrillard, 1998/1970, p71)—and more about ensuring consumption; the 21st century has accelerated this trend, aided by technology like algorithmic advertising platforms.

Cognitive capitalism

Corresponding to this shift is the rising importance of intangible assets—what Yann Moulier-Boutang calls “cognitive capitalism” (Moulier-Boutang, 2012). This trend is pronounced in the advanced nations, and has resulted in geographic disparities of wealth as ascendant industries like high tech and finance cluster in areas like London, New York and Silicon Valley whereas manufacturing-heavy areas like the Rust Belt have declined. This has impacts on global capital flows, especially as Internet access becomes more widespread and Silicon Valley-based firms like Google, Facebook and Apple rise to dizzying valuations through global value chains.

Debt

Along with financialisation comes the rise of debt, both on the household level (via mortgages, student loans, or consumer credit) and on the national level. While debt is at the core of any financial system and thus isn’t inherently negative, the growing preponderance of debt within the financial system forms a kind of “anti-value” that can spark financial crises (Harvey, 2017, p80). Furthermore, debt can often be used as a means of control; this has occurred most notably with the EU and the IMF toward Greece in recent years, resulting in the subservience of national sovereignty to the interests of capital and thus the weakening of democratic accountability (Streeck, 2016, p24).

Low growth

Connected to the rise of finance—as a corollary of high investment in speculative assets rather than actual production (Lapavitsas, 2014)—is the phenomenon of possibly endemic low growth in the advanced economies, which can sharpen conflict over distribution and accordingly reinforce economic inequality (Streeck, 2016, p46-47).

Flexible labour

The trend toward the weakened power of labour as part of neoliberal doctrine continues. This is characterised by more flexible labour markets, with a rise in zero-hours contracts and self-employment; continued decline in organised labour; and an increase in structural employment which is exacerbated by automation and other technological advances (Atkinson, 2015; Collins, 2013). The rise of the “gig economy”, exemplified by firms like Uber and Deliveroo, illustrates this: these companies take advantage of the present abundance of cheap labour—especially in advanced countries with high inequality and minimal safety nets—to approximate the flexibility of the historical "day labourer market" (Srnicek, 2016, p78). By exposing their workers to the vicissitudes of the market, these companies abdicate the responsibility to provide fixed income and security (Lordon, 2014, p57), thus deepening inequality among different types of workers.

Concentrated capital

The 21st century has seen increasing concentration of capital. Thomas Piketty postulates this as an underlying economic law (Piketty, 2014), compounded by low growth and high rates of returns available to the wealthy through financial speculation and high-tech investment. Enhancing this phenomenon is that of decreasing taxation at the top, either legally or extralegally. The recent US tax bill, often described as a "tax cut for the rich" (Sorkin, 2017), is an example of the former; the latter is primarily the result of mobile capital making use of tax havens. This results in wealth statistics being underestimated when gleaned from surveys (Milanovic, 2016, p16) or tax records (Piketty, 2014, p466), meaning that economic inequality is hard to measure accurately.

Outcomes

These trends will combine to change the nature of inequality in the 21st system, by increasing the relevance of new forms of it and changing the way it's contested.

Regressive tax and declining public services

As a consequence of tax avoidance and decreased corporation taxes, the general trend is toward more regressive tax systems (Streeck, 2017a, xxi). Simultaneously, the trend of cuts to public services under austerity results in weakened welfare states, which has the complementary consequences of increasing dependence on the market for previously public goods, and of reducing benefits for poorer individuals, both of which can exacerbate inequality (Konzelmann, 2014). Another corollary is the increase of sovereign debt as governments seek to replace tax revenue by issuing bonds: this has the effect of upward redistribution by offering investment opportunities to capital (Streeck, 2016, p53).

Mediated by machines

One major change this century is the degree to which interactions with corporations, governments and even other humans are mediated by algorithms. In many sectors, decisions are being turned over to computers, based on opaque rules that are difficult to contest because often there is "no jurisdiction and no court" (Hildebrandt, 2015, p12); what's more, such algorithms often encode the existing biases of their creators or the data used, meaning that discrimination is simply "driven upstream" (Pasquale, 2015, p35). In the realm of criminal justice, this means predictive policing and automated sentencing; in the realm of consumer finance, this means the surging importance of credit scores (O'Neil, 2016). The rise of algorithmic decisions also allows for legally protected classes like race, gender, can be discriminated against secretly (Pasquale, 2015; Angwin et al., 2017).

Tighter borders

The 21st century has seen increasing migration, often through refugee crises or simply due to between-nation income inequality (Milanovic, 2016, p134). The reaction of advanced countries has frequently been a rise in anti-migrant sentiment (Anderson, 2017, p1534). The votes for Brexit and Trump could be seen as partially influenced by this sentiment, as reactionary attempts to limit competition for access to goods that are perceived as scarce, such as housing, education, or jobs (Streeck, 2017b). Such border-tightening despite high inequality between nations impedes the migration option for reducing inequality on an individual level.

Housing crises

The concept of a housing crisis isn't unique to the 21st century; inaccessible or inadequate housing has been the rule, not the exception, for many economically marginalised groups throughout history (Madden & Marcuse, 2016). What's different about the present situation is the sheer extent to which housing has increasingly become a commodity, to the point where it affects much of the world's population, including the middle class (ibid). What makes this worth considering separately from economic inequality is that access to housing is tied to factors other than merely income, with strong geographical variations. There is an intergenerational aspect to housing as well: millennials are spending more of their income on rent, less able to access mortgages and more saddled with debt when they are; this, however, isn't the entire story, as there are also strong inequalities *within* each generation (Hills, 2015, p157).

The origins of the current crisis are political, spurred by a neoliberal drive turn housing into a market and financial product rather than a public good, best exemplified through the selling-off of council housing in the UK (Hills, 2015, p132), Thus a tension is produced between housing as use-value and exchange-value (Madden & Marcuse, 2016); for the latter case, housing is an asset class, which means that building more houses will not necessarily solve the crisis. The housing market is now deeply imbricated within the financial system, representing half of total national wealth in the UK (Piketty, 2014, p209) and, of course, triggering the 2008 financial crisis (Harvey, 2017, p181). As a result, the treatment of housing as a commodity is structurally embedded in much of the world economy, which means that if the situation is left unchecked, inequality in access to housing will only be compounded as economic inequality rises.

Higher education

Inequality in access to higher education is another form of inequality that should be considered separate to income. As the pool of well-paid jobs shrinks, higher education, following Bourdieu, functions less as a public good and more as a means of stratification—an *ex ante* alibi for upper classes to justify their position under the auspices of “meritocracy” (Piketty, 2014, p487; Wallerstein, 2011, p133). Simultaneously, with the exception of some countries where university is universally free, tuition fees are rising among both public and private systems, and students are increasingly forced to turn to private loans (Collins, 2013, p54). The consequences are severe: not only is access to higher education disequalising, but student loans can become a means of control, limiting employment choices for those in debt and pushing them into careers they might not otherwise take. This has implications for social mobility as well, as more privileged parents will want to help their children access higher education and thus improve employment chances, whereas those from less privileged backgrounds are on their own (Hills, 2015, p215)

Rethinking unemployment

As technological changes reduce the supply and security of jobs, the validity of the labour market as the primary mechanism for income allocation will be threatened (Williams & Srnicek, 2014). This will likely mean increased income inequality in the short term, though it could spur a Polanyi-esque double movement whereby workers eventually achieve a stronger safety net, possibly in the form of a universal basic income which has lately grown as a possibility (Standing, 2017). In the long term, this could force a much-overdue rethinking of the nature of unemployment (Derrida, 2006, p100); presently, not being employed is a form of inequality even independent of income, for reasons of social exclusion and well-being (Atkinson, 2015, p77).

Hidden colonialism

As capital becomes more mobile, and more countries are integrated into the world market, it becomes easier for corporations and wealthy individuals, often based in advanced nations, to avoid or evade tax. The implications of this for advanced nations are discussed above, but the *global* ramifications are also important, particularly when analysed in conjunction with the growing preponderance of high-margin, intangible asset-heavy corporations. Many of these companies take advantage of a global value chain: Apple relies on heavily exploited factory workers in Foxconn in China to assemble its products (Sandoval, 2017); Facebook and Google, whose revenues come primarily from advertising, depend on extracting the surplus from workers who make the actual commodities being advertised and purchased (Bickerton, 2015, p147).

What this means in practice is that the corporations with important intangible assets—notably, brand recognition and intellectual property—are able to extract high rents due to their position in the global value chain, which of course entails low profits at the bottom; this is then passed on to workers in the form of low wages and brutal working conditions (Aguiar de Medeiros & Trebat, 2017). When combined with the tax avoidance that these companies often engage in (Srnicek, 2016, p32), this raises ethical questions around where taxes *should* be paid. After all, the profits of these companies—overwhelmingly based in advanced nations—are really surplus value from the hyperexploitation of workers primarily in the Global South, which is essentially colonialism in everything but name, mediated instead by the apparent neutrality of the market (Quentin, 2017). This system for maintaining global inequality has a gendered aspect as well, with women bearing the disproportional brunt of the labour-intensive, low-paid work at the bottom of the chain at companies like Foxconn (Sandoval, 2017, p365) and men reaping most of the wealth at the top of the chain (Quentin & Campling, 2018, p49).

Domestic work

As women are increasingly expected to remain in the workforce in advanced economies, the question of domestic work, including childcare, becomes more important. This is linked to the entwined phenomena of high inequality and an abundance of willing labour, as those with high incomes can then more easily afford domestic servants (Piketty, 2014, p257). As a result, Arlie Hochschild's concept of a "global care chain", whereby children in rich countries are cared for by migrants from poor countries, who themselves employ migrants from even poorer countries for their own children, continues to be relevant (Yeates, 2005). Tying into the previous section, there is a neocolonial aspect to this displacement of the care gap—which is shifted "from richer to poorer families, from the Global North to the Global South"—especially since such work is often racialised (Fraser, 2014b, p10). Other forms of domestic work are also on the rise, and this intersects with technological change in the form of on-demand, app-mediated work (Hunt & Machingura, 2016). The net result may be increased stratification by type of employment, between those in high-income roles who never have to perform such work, and those whose incomes come from it, with implications for gender and racial inequality.

A legitimation crisis?

Thomas Piketty's bestselling book Capital in the Twenty-First Century changed public discourse by bringing economic inequality to the forefront, even if his central critique is of the growing importance of inheritance rather than the latent exploitation within capitalism itself; his critique of capitalism, such as it is, remain very *constructive* one (Stutzle & Kaufmann, 2017, p12). Still, the fact that inequality is now on the agenda matters. After all, capitalism requires legitimacy, and that is only maintained by at least some degree of consent on the part of the governed (Mann, 2013, p57). If inequality is not seen as justified on the basis of merit or scarce resources, then those who are materially deprived will start to question the legitimacy of capitalism itself (Harvey, 2011, p217).

We're still in the early stages of the 21st century, and the future is yet unwritten. The challenge, now, is for nation-states and other key players in the global economy to recognise the degree to which inequality is the result of *political choices*, and thus within our collective control, at Tony Atkinson urged (Atkinson, 2015, p.82). After all, inequality that is left unchecked can lead to revolutions (MacCulloch, 2001).

We're already seeing traces of this in the rise of populist movements worldwide, as people lose faith in the liberal democratic status quo. National sovereignty is in crisis—in the thrall of global capital—and populist politicians recognise this (Appdurai, 2017, p2). But populism doesn't necessarily portend calamity. The right-wing variant, with its promise to return to some prelapsarian cultural era, has worrying implications for ethnic and gender equality, and is usually coupled with acceptance of income inequality; on the other hand, the left-wing variant typically identifies class as the main fissure and advocates for greater equality in many forms, but especially economic (Rodrik, 2017; Fraser, 2017).

The current instability, then, presents both crisis and opportunity. A space may be opening up for radical structural changes to the world order, a way of truly tackling inequalities at their root. We can only hope that the rest of the century follows through on this possibility. What's at stake is no less than the future of global prosperity.

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Feedback

An outstanding essay, clearly written, well structured and engages with a wide range of very contemporary literature in a sophisticated and thoughtful way. The essay begins by 'setting the scene', considers trends in inequality relating to a range of issues including labour, forms of capital and debt before turning to outcomes, explanation and implications. The different themes are clearly depicted by headings – some readers may find this rather strange as some of the sections are very short – but each section is extremely succinct and integrated with the next in a coherent way so do not interrupt the flow. Given the context of the course the only change I would make is the very last sentence/ or words – from global prosperity to global well being. On a very minor point on pg.6 you say ' many companies take advantage of a global value chain' having referred to Apple and Foxconn but as you recognise a bit later companies create these chains. Mark: 80