

Not Capitalism, Not Socialism, Not Communism, But Equalism: What is recommended Equality?

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Abstract: *Communism has failed, Socialism is unsatisfactory and Capitalism is disastrous. Communism makes everybody poor. Capitalism manages to make very few rich. And Socialism is neither here nor there. What is needed is some kind of economic system which measures equality in every possible way and measures the performance of government by parameters of equality. This is a revolutionary paper that challenges the known economic system – Capitalism, Communism and Socialism with an entirely unknown economic system – Equalism*

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I. Introduction

Communism was supposed to be the panacea for all economic ills of humanity. Yet the experiment with communism has proven to be an unmitigated disaster. Thirty Million were killed in China during the Great Leap. Communism collapsed in every nation which tried it.

Capitalism, according to its votaries is the solution. Of course to be fair capitalism has resulted in growth, but has it resulted in removal of poverty. To an extent yes capitalism has certainly improved economic situation, but the inequality unleashed by capitalism has meant that poverty still continues even in developed nations.

And experiments with socialism have neither delivered the growth of capitalism nor equality of communism thus getting the worst of both worlds instead of best of both worlds as promised.

This paper proposes a new economic system that works through mixed economy, but measures equality in manifold ways and gears government action to ensure recommended equality.

Lord Kelvin said

Lord Kelvin was a British Mathematician and Physicist. He did much important work in formulation of first and second law of thermodynamics and did much to unify emerging discipline of physics in present form. Absolute temperatures are stated in units of Kelvin in his honour.

Lord Kelvin said -

“When you can measure what you are speaking about, and express it in numbers, you know something about it, when you cannot express it in numbers, your knowledge is of a meagre and unsatisfactory kind; it may be the beginning of knowledge, but you have scarcely, in your thoughts advanced to the stage of science.”

Equality is Important

The history of socialism begins with French Revolution in 1789. The initial use of socialism was claimed by Pierre Leroux who used the word in 1832. Karl Marx and Frederick Engels invented communism in 1848 when they wrote Communist Manifesto and Das Capital. Capitalism's origins may be traced to Adam Smith's book Wealth of Nations in 18th century.

This paper is not study of socialism and communism or capitalism. The point is that for past two hundred years the discussion on equality has assumed important dimensions in political, social and economic discussions across nation.

In 1917 Russian Revolution took place and in 1948 Chinese Revolution took place and since then the discussion on equality assumed a more intense nature. Many nations became communist in 20th century and many nations had political parties divided along the lines of socialism vs capitalism.

However since 1980s socialism and communism have lost sheen due to inability to make dent into poverty. After 1980s China slowly started to liberalize economy and after 1990 communism collapsed. India slowly shed the baggage of socialism in 1990s.

Thus capitalism seems to have taken off even as communism is lost in obscurity. Capitalism also seems to have defeated Socialism, which some might consider more acceptable than socialism.

However since the turn of the millennium inequalities have increased. Indeed in many developed nations of the world the minimum wage in real terms has declined. In India despite fast growth malnutrition seems to have increased.

The discussion on equality seems to have been usurped due to failure of communism and dissatisfaction with socialism. However capitalism's inefficacy in optimising social welfare still leaves question mark.

The fact is that equality has to be measured so that failures or successes against the yardsticks of equality can be judged. This paper proposes a new economic system where economic equality is measured and governments around the world agree on recommended equality and try to achieve the recommended equality.

Equalism – Mixed Economy with Recommended Equality

This paper proposes a new economic system. Equalism is a mixed economy. In that sense it is similar to capitalism and socialism. However the only difference is that equality levels are constantly measured and government's success is determined by the extent of equality achieved. Here are various parameters of equality and even growth that will be checked.

1. Gini Coefficient
2. % of wealth with top 1%
3. % of wealth with top 0.1%
4. % of wealth with top 0.01%
5. Ratio of Income of top 10 % to income of bottom 10%
6. Ratio of income of top 20% to income of bottom 20%
7. Ratio of income of top 10% to income of bottom 40%
8. Tax to GDP Ratio
9. Maximum Wage as a Multiple of Minimum Wage
10. Saving Rate
11. Growth Rate
12. Incremental Capital Output Ratio

Let us discuss recommended extent of equality for each of the parameters

. Here is the extent of equality for each of these parameters.

Gini Coefficient of very unequal nation is around 0.4 and moderately unequal nation is around 0.32 and less unequal nations is around 0.25. Hence say to achieve good equality the gini coefficient recommended is around 0.2. This of course is gini coefficient after taxes and transfers.

The ratio of income of top 10% to bottom 10% is usually above 7. Say the recommended equality is that ratio of income of top 10% to bottom 10% is around 4. In many nation of world the ratio of income of top 20% to bottom 20% are around 4. Say the recommended equality is that ratio of income of top 20% to bottom 20% is around 3. The ratio of income of top 10% to bottom 40% should be around 0.5. The % of wealth in top 1% is usually around 30-40% in many nations. Say the recommended equality is that wealth with top 1% is 15%. And the wealth with top 0.1% is 5% and wealth with top 0.01% is 2%.

Tax to GDP ratio that is recommended should be around 45% for developed nations, 20% for low developed nation and 35% for middle developed nations. Maximum Wage as multiple of minimum wage is as much as 1000 times in capitalist nations, whereas in public sector it is around 25. To start with maximum wage as multiple of minimum wage can be recommended at around 50.

Saving rates can vary. But say the recommended saving rate can be capped at least 30%. The growth rate once again can vary between developed nations. But say the recommended minimum growth rate for low developed nations is around 7% and for nations with medium level development is around 4.5% and for developed nations is around 2.5%

The Incremental Capital Output ratio can be around 4 for low developed nations and for medium developed nations it is around 6.5 and for developed nations of world Incremental Capital Output Ratio is around 8.

II. Conclusion

Of course the recommended extent of equality and growth is perhaps the opinion of one person who would obviously be as much directed by own values, morals and ethics. However, instead of talking about equality in a nebulous way there has to be a quantified discussion on extent of equality acceptable.

There has to be a discussion on what is desirable and feasible extent of equality without jeopardising growth. As much there has to be also discussion on what is acceptable trade-off between growth and equality. After all if equality is important then how much growth can be sacrificed to achieve equality?

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There has to be discussion on equality. There has to be discussion on recommended equality. What is the ideal Gini coefficient? What is the ideal ratio of income of top 10% to bottom 10%? What is the ideal ratio of income of top 20% to bottom 20%? What is acceptable amount of wealth with top 1% of population? What is the acceptable ratio of maximum wage as a multiple of minimum wage? This paper proposes a new economic system called Equalism - where there is a discussion on recommended equality.

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