2 - Paths of social inequality

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2 - Paths of Social Inequality

Contemporary capitalism is the product of the combined and contradictory effect of two structuring principles. On one hand are freedom and individual initiative -consolidated in the institutions of private property, of freedom of contracts and of the market as the main way to organize system of production and exchange. On the other hand are the values of solidarity and equality, expressed through the idea of citizenship and of the nation as a community that should ensure for its inhabitants some minimum living conditions and chances for participation in society. The coexistence of these two organizing principles of capitalism constantly generates new models that will define the most appropriate way of public intervention in production, distribution, and consumption of goods and services.

While the first principle indicates that each person should acquire goods and services in the markets according to his or her assets and personal options, the second requires some private intervention in the system of distribution to assure that all citizens have access to a set of minimal goods and services that are considered basic at the particular point in history. It is important to note that they are different principles, associated with values that coexist simultaneously in modernity. There is no scientific formula that will resolve the problem of how to combine them. Each solution will depend on political struggle and on working out solutions and creative arguments with the capacity to convince the majority of society.

In the history of capitalism, social struggles for greater equality organize themselves around two axes: the distribution of revenue between employees and employers and the extension and universalization of public services. Since the relations between the states and markets are always changing and vary from one country to another, the following is a somewhat simplified introduction to the relations between the social inequality and public goods to identify the role played by the digital divide in the contemporary world of production/consumption.

The World of Consumption: Types of Relationships Between States, Markets, and Consumers

Goods and services can be divided into two major categories: individual and collective consumption goods. Individual consumption goods are those that are selected on the basis of each individual personal option. Goods and services for collective consumption are those that, in a given historical period, are considered fundamental conditions for citizenship and therefore require public intervention to ensure universal access. **These state regulated goods and services impact on social inequality by partially or totally dissociating access to goods and services from personal means.**

Public action concerning collective goods can cause them to lose the quality of being mercantile goods. In other cases they can be produced and/or distributed through the markets, under public control. In all of these cases the state intervenes, be it to through orienting investments or subsidies and/or price controls, to insure universal access - independently of individual income- to goods for collective consumption. Though economists have tried to identify traits or qualities that can be associated with public utility or social good nature, there are no criteria to distinguish public and private goods in their pure states. The definition of the public or social character of good will depend on the values of each society in a given historical moment. In democratic societies, public debate determines which products and services should be universally accessible or protected by the state.

In the past few years, a new concept related to collective consumption has been introduced in the public debate: the **global social goods**. These are goods that cannot be delimited to national borders or whose absence in one country can affect the quality of life in other countries (such as the protection of the environment or control of epidemics, but also free international circulation of ideas, peace and information). The concept of global social goods has yet to be adopted and elaborated by public opinion, as they demand a broad discussion on global governance mechanisms that can ensure effective creation of an international space for public goods. If the world economy is being globalized, the process should be accompanied by the globalization of at least some collective consumption goods.

There are four main types of collective consumption goods in contemporary national societies. The first group is made up of public services connected to basic government institutions. Access to these services is completely separate from payment. They are state run goods and services like police, the justice system, and the services associated with executive and legislative power. Their nature requires a complete separation between the public service and citizens' individual income, to ensure egalitarian and universal treatment. The financing of these services is carried out indirectly through the tax system.

A second group is made up of common "indivisible" services such as public lighting, cleaning services, road maintenance, parks and gardens, fire department, and environment. Generally they are the responsibility of local authorities. They are financed through taxes, usually related to housing, and can be carried out by public or private companies.

A third group is made up of collective goods and services that are not by nature indivisible. This is made up of goods and services that are regarded as basic conditions of citizenship such as health, education (at least basic education), social security and, to a lesser extend, housing. They are financed by direct taxes and/or employers and employees contributions. These goods and services can be offered by public or private institutions as well as by non-profit organizations. When they are offered directly by the state, these services generally coexist with private services of the same type oriented toward individual consumers such as private health plans and private education.

Finally, the fourth category of collective consumption goods is made up of goods and services considered essential or of public interest that are connected to **networks and/or natural resources** that occupy finite space (be it under the earth in urban areas, or in the form of waves that travel through air) and give their owners a position of monopoly or oligopoly. They include water, electricity, sewage, radio, television, transportation, and telephone. These collective consumption goods can be offered either by public or private companies with exploitation rights delegated by the state. In either case, the state takes responsibility for ensuring the quality and pricing of these services and that networks provide effectively universal access. Though these services are generally paid by individual consumers (or in some cases by taxes), effective access requires that the network reaches every home and that the prices are reasonable even for low-income groups. While in the case of the previous types of collective consumption goods, the different capacity of each citizen to contribute financially to the goods and services is approached by a taxation structure where fees are inversely related to income, in the case of networked goods and services, compensatory pricing systems usually takes the form of subsidies in which certain consumers (for example, those in high income areas or businesses) pay a higher price thereby permitting other consumers to pay a reduced price for the same services.

To these public goods should be added other forms of redistribution policies, which include unemployment insurance, social services, disability insurance, minimum income policies, food distribution programs, and subsidized housing.

The central question for contemporary society is that the permanent introduction of new consumption products that impacts quality of life imply changing the threshold of goods considered among the basic minimums necessary for life in society. In this sense, each technological innovation introducing new consumption products changes the perception of what it means to be socially included or excluded based on access or lack thereof, thereby changing the universe of goods and services that require some type of state intervention. In other words, poverty, and the fight against it are dynamic and require constant efforts to readapt social policies.

A classification of individual consumption goods is outside the limits of this work. It is however, fundamental to emphasize its deep relationship with collective consumption goods. The different individual and collective goods and services cannot be dissociated from one another. Public health, for example, frequently suffers from the problems caused by the lack of treated water and sewage, the principal causes of child illness in poor neighborhoods in developing countries. The large majority of individual consumption goods depend on prior access to collective consumption goods. To use home appliances, electricity service is needed. Telephone use requires telephone network access. Home water and sewage services require access to urban infrastructure.

The new wave of information technology product has characteristics that are new or more pronounced than in previous waves of mass consumption. First, information technology, in addition to being interactive (like the telephone), is **proactive**, meaning that it allows users to personally appropriate the contents of instruments of communication (for example by making

their own web site). The uses and possibilities of information technology depend, however, on the intellectual training, in particular the education and profession, of the user. While the use of appliances, telephones, radio, and television require almost no formal education, information technology not only requires literacy but its usefulness depends on each users intellectual ability in selecting, analyzing, understanding, and evaluating available information. While for the user with limited analytical competence the Internet is an information tool, for the user with greater analytical capacity, it is a knowledge tool.

In addition, information technology presents specific barriers to initial access that are greater than those of previous electronic products. The majority of previous electronic products require minimal service expense after initial purchase. The only exception is the telephone with its monthly service charges. New information technology products require either fixed monthly fees (for example wide-band service), or increases in telephone charges (for users of dial-up service, as flat-rate local residential service is not available in most countries). We will see that these fees make up one of the principal barriers for the diffusion of information technology among low-income groups (and sometimes even the low middle class). In the case of computer, their use requires other ongoing expenses such as printer cartridges, paper, periodic technical support, updates to programs, and the constant need to update equipment that makes these products reach obsolescence rapidly.

Finally, information technology products, due to their pro-active character, are for individual and personalized use. Older systems of communication such as radio, television, and fixed telephones, were easily shared between family members.

Multiple Inequalities

Studies on social inequality analyze the distance between the poorest and richest sectors of the population taking income of individuals or families as the principal indicator. Individual income is without question an important criterion in social inequality, but it represents only one dimension of the problem. The unequal distribution of public goods and services is equally important, and in some cases this unequal distribution is even more decisive. Not being able to count on police protection or access to electricity, water, sewage and telephone networks, medical services, or schools, have dramatic consequences on quality of life.

The relationship between individual income and access to goods and services can generate both virtuous and vicious circles. For example, people who live in neighborhoods dominated by drug trafficking activities have difficulty getting jobs. Similarly, poverty force some families to take their children out of schools to make an early entrance to the workforce, while poverty is mainly the result of low education levels.

The many inequalities of personal income and of access to collective consumption goods should be considered within a systematic perspective and should not be reduced to a single factor. Combating these inequalities requires actions directed at various dimensions of the

problem. The challenge is to identify those issues where the positive consequences are greatest both in the short and medium term. Some actions, such as investment in education, take years to make an impact in terms of personal income while other actions such as extension of water and sewage networks have immediate consequences over quality of life but do not directly impact income levels. In practice, social policies are oriented both by technical logic and by the capacity of each social group, including the lower, middle, and upper classes, to put pressure on the state.

Box C – Unequal Inequality

Social inequality supposes differential access to social wealth within a social system. Analyses of social inequality traditionally distribute the population of a country as though it was made up of a continuum of individuals, a straight line from those who have a lot to those who have very little.

In the past decades, studies on social inequality have been transformed under the impact of new social movements such as feminist, gay rights, black, and ethnic movements that have argued that society cannot be considered as a homogeneous group of individuals and that social inequality should be analyzed with consideration to the relative position of each identity group.

The new emphasis on identity groups within social studies has increased the perception of the complexity of the fight against inequality. But, on the other hand, it has also created new distortions in perception, particularly with regard to social groups that lack self-representation and political support., as, for instance, young men in poor neighborhoods, who are put at risk by the lack of security policies capable of confronting gangs and drug traffickers; or unemployed people between ages forty and fifty, who have the greatest difficulty re-entering the workforce; or young children, who are most likely to fall ill as a result of inadequate water and sewage systems. These social groups have little ability to project their interests in the symbolic and political field.

The growing emphasis on problems impacting specific identity groups can result in fragmentation in the fight against social inequality, which is increasingly colonized by lobbies applying specific pressures that can distort public policy and limit the development of comprehensive strategies for the whole of society.