Journal of Polity & Society (2025) 17(2), 23-42

The Political Economy of Inequality and Capitalism in India

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The paper aims to critically examine inequality in India by analysing its philosophical, ideological, and political–economic foundations. This article's argument is that, while market forces influence the level of inequality in capitalism, such factors are also influenced by governmental policies and actions. Thomas Piketty has well observed in Capital and Ideology that Inequality is neither economic nor technological but ideological and political. The idea of privatisation of assets creates an artificial scarcity of resources that contributes to inflated rent. To contextualise inequality and capitalism in India, a discourse of social determinism is used that synthesises methods and insights from political science, economics, and sociology. Furthermore, capitalism automatically credits the declining profit share to wages rather than rent, according to Ricardian theory. In a nation like India, where labour is plentiful at fixed or stagnant wages, the use of Ricardian analysis is pertinent. It aids in examining rent capitalism's innate propensity to maintain inequality. The salient findings of the study are that the political economy in capitalism is trapped in the philosophical justification of inequality; the scarcity-induced rent on public assets causes remuneration differential to factors of production, and the role of political economy in maintaining the scarcity in capitalism.

Keywords: Capitalism, India, Inequality, Political Economy, Neoliberalism, Scarcity, Wealth Concentration

Introduction

When a handful of entrepreneurs in capitalism outpace numerous small and large conglomerates to become the richest individuals, where a significant portion of the populace depends on government support, it inevitably leads to questions about the operational shortcomings of the capitalist political economy. Today's inequality in India surpasses that of the inter-war British colonial period. The wealthiest 10% hold over 72% of the nation's wealth, the top 5% nearly 62%, and the top 1% approximately 40.6% (Oxfam Report, 2023, p.7). Amidst this disparity, the pursuit of a \$5 trillion economy is dominated by affluent power brokers. Contrarily, the investment for this economic goal is largely funded by the less affluent citizens: nearly two-thirds of the total GST revenue is contributed by the bottom 50%, a third by the middle 40%, and a mere 3-4% by the top 10% (Oxfam Report, 2023, p. 8). It suggests that the growth experienced during the neoliberal era has been predominantly funded by those at the lower end of the economic spectrum and disproportionately claimed by those at the top. India's political economy is veering towards a regressive system. Without effective wealth and inheritance taxes, inequality, fuelled by primitive accumulation, is on the rise. Moreover, this regressive economic structure is exacerbating severe disparities.

Understanding the impact of India's political economy on escalating inequality necessitates examining the two significant trends highlighted. First, the 1980s saw the gradual adoption of neoliberal policies in India, which led to a sharp increase in wealth and income inequality. For instance, the income proportion of the top 10% increased from 30.1% to 57.7% during that time, while the income share of the poorest 50% decreased from 23.6% in 1982 to 15% in 2022. Second, India's economy stagnated under the socialist era and only started to grow after 1990. India's GDP grew at a pitiful 1.6% annually between 1960 and 1990, but at a significantly greater 3.6% annually between 1990 and 2022 (Bharti *et. al*, 2024, pp. 1-2). It indicates that the benefits and contributions of economic expansion since liberalisation have been distorted. Moreover, a third trend is revealed through the emergence of oligarchic or crony capitalism post-2014. This is a remarkable attack on the free market forces by the tendencies of unbridled market forces to let the emergence of a few large conglomerates at the cost of several small and petty producers. In terms of wealth concentration, the increase in top-end inequality has been most noticeable between 2014–15 and 2022–2023. India's top 1% income share is among the highest in the world by 2022–2023, surpassing even South Africa, Brazil, and the United States. The wealth and income shares of the top 1% (22.6% and 40.1%, respectively) are at all-time highs (Bharti *et. al*, 2024, pp. 1-2).

The recent World Inequality Report offers useful insight into a review of the ongoing political economy causing inequality. In the early decades following independence, the top 10% of earners, who had 50% of the income during colonial control, were reduced to 35%–40% thanks to socialist-inspired five-year plans. The world has seen one of the sharpest increases in income and wealth disparity since the mid-1980s as a result of deregulation and liberalisation policies (WIR, 2022, p. 199). In the absence of both efficient redistribution measures and measures to discourage undue accumulation, the practice of unchecked accumulation has been conceivable (Rajan & Mishra, 2021).

Inequality is ideological and political rather than economic or technological, as Thomas Piketty noted in Capital and Ideology. Ideologies have little effect until there are significant changes in the distribution of power and material forces. However, material and social forces alone are unsure of where to go in the absence of precise ideas and philosophies on how to change the world

(Piketty, 2021). The market forces ensure that optimising agents pursuing individual interests generate the best outcome for society is ideological. Joan Robinson focuses on the analysis of economic processes in historical time rather than on equilibrium (Robinson, 1962). She describes conscience's ideologically based function as the means by which social systems' "rules of the game" are upheld. However, pure reason applied to self-interest cannot account for conscience. As a result, choice—the foundation of conventional theory—is ideological in and of itself (Robinson, 1962).

The genesis of inequality as a substance of neo-classical economics could be found in the bifurcation of politics and economics. Due to the rise of the prevalent liberal economic theories of the day, the word "political economy," which was used in the 18th century, disappeared in favour of "economics" in the second half of the 19th century. By eliminating the word "political," economists could contend that rather than being socially constructed institutions, economic activity was a reflection of universal individual rationality. The naturalness of laissez-faire principles could then be justified by this assertion (Wallerstein *et al*., 1996, p. 17). The claim that the state and the market functioned and ought to function according to different logic led to the rejection of political economy as a subject (Wallerstein *et al,* 1996, p. 20).

In political economy, inequality is a systemic phenomenon coming out of the interplay of socio-economic and political processes. The very evident hand of those who manipulate the market to their benefit is hidden behind the invisible hand of the market. A self-reinforcing cycle is created when corporate market dominance is converted into political power. Democracy and free-market economies are threatened by the interplay of concentrated corporate power and politics (Zingales, 2017). In order to avoid paying taxes, many corporations have formed unique, occasionally tacit collusion with the governments of certain nations. In economic literature, this phenomenon is commonly referred to as "regulatory capture" (Morroni, 2016, p. 12). Citizens' trust that representative governments act in their best interests is weakened by declining living standards (Weeks, 2017). It causes a legitimation crisis in the government, a term introduced by Jurgen Habermas.

Inequality became a topic of discussion in the 19th century. It was believed that the return of capital would compensate capitalists for refraining from consumption. The marginal productivity theory, which was developed by neoclassical economists, maintained that compensation more generally represented the contributions made by various individuals to society. It implies that people at the top solely benefit from their contributions. The Horatio Alger myth perpetuates the idea that success is attainable for anyone through sheer hard work. This leads to a perception that disparages those who haven't achieved material wealth; they haven't worked diligently. As inequality escalates, the Horatio Alger narrative prevails widely. Further, according to the neo-classical idea, institutions have little bearing on economic results.

Stiglitz projected a more pessimistic view of the socio-economic institutions, arguing that a society's institutions are only a façade and that economic conduct is governed by the basic laws of supply and demand (Stiglitz, 2016). Capitalism as an economic theory directs the functioning of the economy. Gradually, it expanded its role to cover a much wider range that affects socio-economic and political aspects. The creed of capitalism is profit and economic growth. It deconstructs constructivist institutionalism that ignores outcome-based justice while emphasizing crude procedural justice by emphasising the marginal productivity whereby each factor of production is allocated equally to its contribution to production. Vested interests often dominate the realm of knowledge, hindering reflection on social constructs. Indeed, they foster a false consciousness of their own superiority, perpetuating the notion that there is no alternative.

Neoliberalism, an advanced form of capitalism, involves competition that needs safeguarding from market tendencies to create monopolies and from state interventions. It is not merely an ideology or a belief one can adopt or reject. Rather, it is the outcome of strategies, tactics, and policies that forge competitive subjects of interest (Read, 2009). It has such a profound impact on thought patterns that it has become ingrained in the commonsense ways that many of us perceive, navigate, and comprehend the world (Harvey, 2007). Thus, neoliberalism seeks to eliminate the antagonism and social insecurity associated with capitalism, paradoxically, by expanding capitalist symbols, terms, and logic across society (Read, 2009, p. 32). The proliferation of capitalist symbols, terminology, and reasoning throughout society has led to the dominance of marginalistic principles and contribution-based inequality.

Lionel Robbins defines economics as the study of human conduct as a link between ends and limited resources that can have alternative ways (Robbins, 1932, p.16). However, behaviour inevitably takes on the shape of choice when time and resources for accomplishing goals are constrained and capable of alternative use. Every action that requires time and limited resources to accomplish one goal entails giving up those resources to accomplish another (Robbins, 1932, p.14). Scarcity creates trade-offs. It illustrates the premise that a free lunch does not exist. Profit-driven capitalist development prioritises scarcity over production and distribution, indicating a biased progression towards scarcity-induced investment.

Furthermore, it promotes the notion that only the wealthy save to justify the disparities in capital accumulation for investment. It creates capital scarcity, thereby yielding a rent-seeking tendency to it. It influences the act of the state outsourcing essential services, which are inherently its responsibility, to the private sector, leading to the emergence of a "delegating state" (Mishra & Rishi, 2024). This situation may be a sign of how capitalist democracies will operate in the future. Business executives are not at all fond of long-term full employment. When the workers became unruly, the business owner would be eager to discipline them. Big business and the rentier interests are likely to create a strong block in this scenario, and they would likely find multiple economists who would say that the situation was obviously unsound. The government would most likely revert to the traditional approach of reducing the budget deficit under the strain of all these factors, especially large industry, which has a significant influence in government agencies (Kalecki, 1943).

Thus, government policy and design both create and maintain inequality. The literature demonstrates the lack of a comprehensive knowledge of inequality, since policy discourse ignores rent capital that is fuelled by neoliberal dynamics that contribute to inequality in favour of measuring inequality using the Gini coefficient. This study uses social determinism to analyse inequality and capitalism in India, focusing on the asset monetisation policy. It shows that government actions transfer national resources to a few investors, creating artificial scarcity and driving up inequality. The findings indicate that rent capitalism, rather than capitalism itself, is the main driver of inequality in India. Additionally, rent capital often masquerades as free market capital, increasing wealth and income disparity. Using Ricardian analysis, the study reveals that capitalism attributes diminishing profit shares to wages instead of rent, which is particularly relevant in India, where labour exists at stagnant wages.

The present article will study the interaction of politics and economics in determining and perpetuating inequality in India. It is concerned with tackling some conceptual fundamental issues that make inequality a part and parcel of capitalism. The article does not offer any direct solution to the rising inequality. It focuses on finding out the theoretical and philosophical basis of inequality. We employ a social determinism-based analytical methodology that synthesises techniques and ideas from politics, economics, and society. The objective is: (i) to analyse the philosophical justification of inequality. The methodological outcome of this exercise is to present how the political economy in capitalism is being trapped in the philosophical justification of inequality; (ii) to review some analytical aspects of the scarcity-induced rent on public assets that in turn causes remuneration differential to factors of production and the role of political economy in maintaining that scarcity in capitalism; (iii) to discuss the legitimacy of inequality in capitalism that yields a universal path of development. The article presents inequality as the outcome of political & economic policies. It opposes the status quo way of approaching the problem of inequality.

Philosophical Justification of Inequality in Capitalism

Capitalism operates at the intersection of an egalitarian legal order and a hierarchical power structure. It is posited that inequality is fundamental to capitalism's existence. To examine this claim, we consider the foundational theoretical principles of two advocates of capitalism, John Locke and Adam Smith. Their arguments emphasise liberty as the supreme value, which is further examined as a rationale for inequality in Rawls' theory of justice. Although these scholars are separated by centuries, they share a common framework that advocates for an unfettered economic endeavour within a free and socially unbound context.

Locke conceptualised the theory of private property, which has been dear and appealing to the masses. Smith popularised the idea of the market and the invisible hand for the creation of a wealth of nations. Locke has presented basic assertions of his ideas of private property, which resonate with why inequality is the natural outcome of capitalism functioning. The first argument is that the earth was given to humanity by God. Once they are born, men have a right to be preserved, which means they have a right to food, drink, and other necessities for survival (Shapiro, 2003, p.111). The second assertion is known as the labour theory of value, which contends that although all men share the world and all other species, each man has personal property to which no one else has any rights. We may claim that the labour of his hands and body is rightfully his. He creates his property by combining his effort with the natural world (Shapiro, 2003).

It incepted the third assertion that man has the right over resources, both animate and inanimate in nature. He has the right to its accumulation. According to the fourth assertion, if he didn't utilise them before they spoilt, he would have taken more than his fair share and stolen others. Indeed, hoarding more than he could use was dishonest and unwise (Shapiro, 2003, pp.111–112). He also used them if he gave away a portion to someone else so that it didn't die in his possession in vain. It restricts the accumulation of private property over an individual’s absorption capacity. It opens the possibility of trade and exchange. Finally, Lock introduces the idea of money, which is not perishable and accumulates as much as possible. Locke’s idea is summarised as that although resources belong to all human beings, one should not appropriate them beyond one’s absorption capacity lest it becomes useless and a waste, and with the introduction of trade, exchange and money accumulation, gain legitimacy and become easy. Locke theorises the accumulation of private property in such a way that inequality becomes a legitimate basis of primitive accumulation.

Let us now turn to Smith’s invisible hand of the free market. In his 1776 book, Wealth of Nations, Smith makes the argument that an individual should consider their own advantages rather than those of society. However, he naturally—or rather, inevitably—creates favourable conditions for society as a result of his economic actions (Smith, 1776). The pursuit of self-wealth maximisation maximises the wealth of nations. The self-interest-oriented individual is a boon for social well-being. Smith prioritises embedded social welfare to justify an individual’s self-egoism.

As Smith puts it, man should view himself as an essential component of the greater commonwealth of nature and that he must behave in this community's best interests, even if it means sacrificing his own (Smith, 1759, p. 123). Furthermore, Smith recognises rents, profits, and wages as the foundational sources of income, comprising the tripartite elements of price. He allows for certain ambiguities, which later analysts have adeptly utilised, particularly regarding his perspectives on the relationships among these distributive categories. Moreover, Smith occasionally presents divergent viewpoints, operating concurrently on a framework of social moralism and a materialistic understanding of economic operations (Bharadwaj, 1986, p. 10). Such ambiguities are susceptible to manipulation. It upends an open pursuit of self-interest maximisation under the rule of the marginalistic principle, wherein individuals earn equal to their contribution and utility to the production. It causes inequality as it overlooks the role of the social construct that shapes an individual's capacity to contribute. Rawls' idea of justice gave further credence to the liberal policy under capitalism for rising inequality. In the initial position with a shared understanding, Rawls has proposed a) equal basic liberty for all; b) a fair socio-economic equality of opportunity for all; and c) any permissible socio-economic disparity must result in the greatest advantage for the most disadvantaged members of society (the difference principle) (Rawls, 1993).

The importance of each principle is attached to its ranking. It is noticeable that the priority of liberty and acceptance of inequality set the contours of Rawls' theory of justice as fairness. The second part of the second principle, i.e., the difference principle, supports incentive-based intervention, private property, corporate social responsibility and welfare. Furthermore, in a political economy propelled by private enterprise and the pursuit of profit, freedom frequently favours landlords and capitalists, allowing them to increase rents, prolong working hours, and reduce wages. Additionally, John Rawls introduces the concept of the original position, a thought experiment where people are behind a veil of ignorance, oblivious to their own identities, social standing, or innate abilities. Tasked with selecting the principles of justice for society, Rawls posits that these individuals would opt for principles that ensure equality, considering they could potentially find themselves in a less advantaged position.

In Rawls' theory, equality ensures that everyone possesses the same fundamental freedoms. Inequalities are structured to benefit the least advantaged and not unjustly limit opportunities. Society should operate on fair terms of cooperation, where no individual is disadvantaged by arbitrary distinctions such as race, gender, or class. Therefore, Rawls' concept of equality emphasises not an absolute equality of outcome but a just equality of opportunity, aiming to ensure that any disparities contribute positively to the welfare of societies' least advantaged. However, the 'veil of ignorance' creates a 'veil of false consciousness' that yields sovereignty of the consumer as a colossal myth in neoclassical theory. Income distribution is not a natural phenomenon; rather, it is a result of events that depend on government-adopted economic policies and reveals how strongly classes are related to one another (Morroni, 2016, p. 7). The disproportionate allocation of resources by different social classes creates wealth for some and poverty for others. This disparity prompts existing entrepreneurs to increase their physical capacity to meet rising demand, such as that caused by shifts in consumption patterns.

This leads to both horizontal expansion and vertical integration within the production chain. However, the pursuit of additional capacity and the competition for rent-seeking, which can lead to bribery and corruption, may deplete resources. Consequently, minimal resources are allocated for actual output production. Increasing demand and reduced output will inevitably lead to higher prices, which can be considered extortionate. Furthermore, rent-seekers limit market entry through horizontal expansion. Although firms typically exhibit U-shaped cost curves, restricted entry prevents the market from supporting an optimal or larger number of firms. This leads to monopolistic dominance by a few entrepreneurs. Consequently, horizontal integration undermines vertical specialisation and efficiency. It limits consumer choices and leads to excessively priced goods. Moreover, rent-seeking activities are inherently competitive, with resources allocated to rent. Empirically distinguishing the extent to which rent-seeking differs from profit-seeking in market competition is challenging, if not unfeasible.

Scarcity-induced Inequality in Public Assets

This section will discuss the creation of human-made scarcity[1] of resources to generate rents, as exemplified by land rent within the Ricardian framework. The artificial scarcity of assets induces discriminatory and disproportionally allocation of resources and distribution of income. The classical (Ricardian) model demonstrates that if capital accumulation goes on continuously at a given state of technology, rent per unit of output would rise, wage rates would remain constant at the subsistence level, but the total wage bill would rise, and profit would decline and eventually disappear when W=W would become equal to the average productivity of labour (AP_L) at T. With profit becoming zero, or near zero, there would be the emergence of the stationary state. The stationary state forbids autonomous investment. Additionally, if we eliminate the fixed wage rates at a subsistence level and recognize the bargaining power of labor in raising wages, the increase in wage rates is less likely to cut into profits and more likely to push up prices due to the wage-price spiral, thus primarily impacting the rentier interests that are unwilling to invest in productive capacity. Nonetheless, business leaders tend to value 'discipline in the factories' and 'political stability' more than profits. Their class instinct suggests that sustained full employment is problematic, and they believe that unemployment is a necessary for the 'normal' capitalist system (Kalecki, 1943, p. 326)

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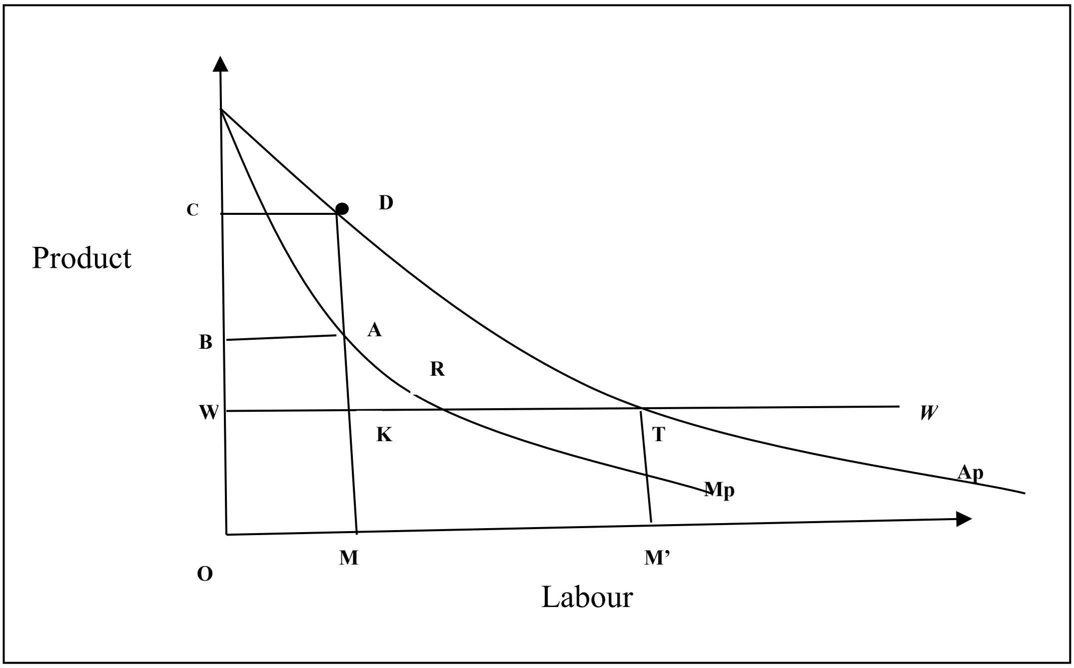
[1] The assumption is that natural scarcity is limited to certain cases, like land. Many resources are rendered scarce to generate rent. Ricardo's framework provides an analysis that deciphers rent caused by scarcity, whether it's naturally occurring or artificially imposed.

The classical political economy assumes that the steady advance of the economy towards the stationary state could be postponed only through technological change or by free foreign trade, or similar other measures which might delay the operation of diminishing returns. However, neo-classical economics assumes an unlimited supply of labour at a subsistence wage rate (W=W). There is no demand constraint. The fixation on subsistence wage is motivated by the idea that increasing wages usurp profits. It incentivizes labour-saving or capital-intensive technical change. Meanwhile, in the absence of technological change increase in the number of workers happens to be the only factor for increasing capital accumulation and production amidst declining land productivity. The additional capital accumulation due to increasing labour goes to the landlord's vault or asset-class because profit-seekers have been getting as per their marginal productivity, MP_K= r.

***Figure* 1**

Land Scarcity- Induced Inequality of Rent Capital, Profit and Wage



Source: Sraffa, 1951, analysis

In the diagram, ABCD= rent, ABWK= profit, and OMKW= wage fund.

Ricardo did not highlight the inverse relationship between profit rates and wages. The increasing labour costs of producing corn would lead to higher labour costs (value of wages), even if the real wage remained constant. Consequently, a larger portion of surplus units going towards wages (after accounting for increased rents) would inevitably result in a declining profit rate. In Ricardo's framework, a rise in the price of corn meant that landlords benefited from an increased share of rents; capitalists faced a loss with a decreasing profit rate, and labourers, despite an unchanged real wage, would likely suffer due to reduced employment growth resulting from the negative impact on accumulation (Bharadwaj, 1986, p.12). An adverse effect on accumulation does not imply that it isn't happening. Instead, it reveals that a small number of unenterprising people have the majority of the accumulation.

According to Marx, capitalist development patterns presumes that the "freer-labour"—free in the dual sense of having labour power at his disposal and having no other commodity to sell. Marx, however, contends that nature does discriminate in such a way that one man possesses goods or money, while another man has only his own labour (Marx, 1867, p. 110). The clash between wage labour and capitalist profit has intensified alongside the growing class struggle, which has unscrupulously obscured the rent-seeking activities of capitalist enterprises.

Rent-seeking hinders the effective distribution of resources by market mechanisms. Significant disparities can be downright savage, and severe disparities are not socially desirable. Furthermore, social cohesiveness may be weakened by a sense of inequality, and certain forms of inequality may make it challenging to attain even efficiency (Sen, 1999). This raises questions about why rent-seeking-related inequality has gone unnoticed and trapped the polity's socioeconomic structure to justify itself. The reasons may include: 1) a sufficient number of people on the fringes do not experience disutility as their standard of living and consumption levels are minimal, 2) the high cost of entry due to widespread infrastructural deficiencies in economic activities, and 3) the risk of detection and societal value judgments regarding rent-seeking vary (Krueger, 1974, p. 293). As a result, land becomes increasingly scarce with population growth. Rents rise, yet labourers earn the same wage fund by working longer hours or because the growing labour force depletes the wage fund.

Furthermore, this establishes a paradigm where rent-seeking activities are perpetuated. It makes the concept of a paradigm shift outdated and unable to account for sociological explanations of theoretical change. It overlooks the standards of community norms and acknowledges that reality consists of competing, occasionally contradictory, but simultaneously existing truths within the central paradigm. Consequently, the standards of Karl Popper's falsificationism and community norms are relegated to supporting roles within the core theory, serving as justifications for rent-seeking that seeks to maintain and enhance its dominant status. The impoverished in India are rarely unemployed because they cannot afford to remain idle. The problem is more underemployment than unemployment. Underemployment and lower wages force more and more workers to join an intensively informal sector. Moreover, the supply of basic consumer goods will decline with lesser productive investment; thus, depleting the living standard. It will further encourage informalisation (or the gig worker's economy)[2] because of stagnation of real wages and the rising cost of living, no comprehensive social security, and a lack of dignified, decent, and secure work.

Reducing poverty would be greatly hampered by real wage stagnation. In contrast to unemployment, real wages are very simple to monitor, at least for certain occupations. For instance, casual agricultural work in the majority of Indian villages has a very well-defined salary at all times. The RBI provides yearly salary estimates based on Labour Bureau data from 2014–15 to 2021–22 in its most recent Handbook of Statistics on Indian States. They encompass four occupational categories: construction workers, horticultural workers, non-agricultural workers, and general agricultural labourers. Between 2014–15 and 2021–2022, the real wage growth rate was less than 1% annually overall; specifically, it was 0.9%, 0.2%, and 0.3% for agricultural labour, construction workers, and non-agricultural labour, respectively (Dreze, 2023, p. 11). It demonstrates that stagnant wages cause rising poverty, widening inequality, and the continued marginalisation of underprivileged communities clearly indicate that the benefits of economic reforms have been uneven and exclusionary. It poses a question whether India is in the grip of a wage fund. The slow growth of real wages in the face of India's economy's rapid expansion is a serious worry.

Scarcity, Privatisation, and Inequality

This disparity necessitates a shift in economic policies towards enhancing wage growth drivers. Concurrently, rent rates rise, gaining extra value from artificial scarcity. The decline in land productivity increases the disparity between average and marginal productivity of land, leading to higher rents. This does not motivate the asset class to invest in technological advancements that would enhance land productivity. As rents rise, they achieve their desired outcome. Ideally, any advanced technical change, whether physical, social, or economic, should empower labour and/or capital, thus disrupting covert exploitation by the asset class. However, the economic power of the asset class, and in a majoritarian democracy, their political influence, are so formidable that any attempt to impose a burden on them to rejuvenate the economy seems in vain.

It causes a capitalist oligarchic system that relegates the state to be subservient to wealth-holders. Economic disparities may exist in any form of political government, but they often decrease in democracies while increasing in oligarchies. Popper places a strong foundation of democratic institutions to empower the populace. Yet, he does not dismiss the impact of vested interests in the short term. Conversely, Marcuse acknowledges the difficulty in altering class consciousness once established. He contended that democracy is susceptible to manipulation by vested interests, a by-product of neoliberalism

[2] Gig workers are those who operate outside of the traditional employer-employee relationship and whose legal rights have not been established.

in political governance. He believed that democratic institutions could be compromised by dominant groups, making them impotent for significant reform (Marcuse & Popper, 1976). It paves the way for perpetual inequality. Government policy and operations have an impact, even though the dynamics of supply and demand in the market shape and impact inequality owing to scarcity and technology (Stiglitz, 2013).

The labour class, at the receiving end, bears the disproportionately larger share of the burden to revive the economy in the form of more working hours for the same number of labour or more labour working at the fixed-wage rate. The increasing number of labour is even blamed for the usurpation of the profit-a conventional classicist's method for economic revival. The asset class gets richer and thereby effectively influences the decision-making process. Labour laws are changed to favour profit-seekers. Labour-saving technical changes are brought in, which reduce labour employment, causing involuntary unemployment.It seems doubtful that any human being's daily labour has been made easier by all of the technological inventions to date. They have made it possible for more people to lead the same lives of hardship and incarceration while also making it possible for more manufacturers and others to get wealthy. The middle classes now enjoy greater comforts. However, they have not yet started to bring about the significant changes in human destiny that are inherent in their nature and will be accomplished in the future (Mill, 1909).

In a nation where the money intended for labour maintenance was logically declining. Each year, there would be a decrease in the demand for labourers and servants across all job categories. Many people who were raised in the upper classes would be happy to look for work in the lower classes if they couldn't find it in their own business. Due to the overwhelming number of workers in the lowest class, as well as the overwhelming presence of all the other classes, the rivalry for jobs would be so fierce that labour salaries would drop below the lowest possible level of subsistence. Even under these harsh conditions, many would not be able to find work and would either starve or be forced to do possibly the most heinous crimes to survive. Want, starvation, and death would take over that class right away, and they would subsequently spread to all higher levels (Smith, 1776)

It shows the class mindset that refutes the labour class becoming the agent of change. In a way, the asset class has been exonerated by tricks, and profit-seekers unjustifiably claim their share in the wage fund. The presence of a reserve army and a weak labour union incentivises it. Effectively, it leads to no technical change to increase productivity in the economy. It only tends to find a scapegoat of the stationary state in the wage fund or the labour class. The declining productivity and contribution remain an unaddressed issue. The cycle repeats, and whenever a stationary state approaches, the same process of revival is adopted. It creates a vicious cycle of labour exploitation and inequality.

According to Marx's Das Capital, accumulating riches at one pole also results in accumulating misery at another pole.

Even what has been happening during the recession is unusual. Profits typically decline more than proportionately when sales decline because wages and employment typically adjust slowly during economic fluctuations. Despite a decline in the wage share, many businesses are nevertheless making substantial profits in stock market throughout this crisis. It indicates that an economy's health cannot be determined by the success of the stock market. Because wages are low and the central bank maintains interest rates close to zero out of concern for the economy, stocks can perform well. The firm belief in market forces to correct economic maladies is the *raison d'être*.

Pre-capitalist societies had a more extreme unequal distribution of political and economic power. Religion at the period ceremonised inequality, and in its justification, it exalted and rationalised the existence of those at the top of society as a divine right. In 1776, in the 8th chapter of the first volume of Wealth of Nations, According to Smith, when a landlord, weaver, or smoker has more money than they need, they use it to hire more aides to increase their earnings. A growth in the profits of private entrepreneurs is the foundation for an expansion in the wealth and prosperity of society as a whole. The more profits, the more aides. Altruism is egoism. Every person is always looking for a job that best utilises his resources. He believes that his interests are more important than those of society. He hires more aides in order to maximise his interests, which inevitably causes him to favour jobs that benefit society the greatest (Smith, 1776). The unintentional results of intentional actions turn an individual into a 'social individual'. Smith highlighted the idea that when earnings rise, the weaver or landlord will hire additional workers, while the miser will put his money in a chest and only takes it out to count coins.

The concept of reinvesting profits to make additional profits, and so on, is the foundation of the contemporary capitalist economy. There are numerous ways to invest, including expanding manufacturing, carrying out scientific research and development, and creating novel techniques and goods. Capitalism made a distinction between "capital" and "wealth." Money, products, and resources invested in profitable endeavours make up capital. Contrarily, wealth is either stockpiled or squandered on pointless pursuits. While saving at the individual level may be beneficial, saving at the community level produces a paradox of thrift and stimulates cyclical dynamics during economic downturns (Keynes, 1935, p. 170).

The growing importance of the wealth-ridden stock market in the capitalist economies, Marx and other social critics quipped, is making them a capitalist trade union. A profitability dilemma brought about by labour-oriented reform and heightened competition from emerging markets led developed capitalist nations to abandon the welfare state and pursue privatisation. It seems to be the system's spontaneous and natural way of stopping the diminishing earnings (Brenner, 1998). The Labour-oriented reform is advertised in the form of contractualisation of the workforce. Since the 1990s, there has been a significant "contractualization" and "informalization/casualization" of labour, which has increased economic disparity between employers and employees as well as between high-paid permanent workers and low-paid regular, contractual, and temporary workers. The organised industrial sector has been more contractualised as a result of the growing division and profit between employers and employees. Even though the Contract Labour (Regulation and Abolition) Act of 1970 forbids it, contract workers are still paid less for doing the same work (Lakshmanan & Aparajay, 2022, p. 6). It carries structural implications that influence the performance of different economic sectors. Unlike the concept formulated by A.W. Lewis, Simon Kuznets, and other neoclassical economists, which highlights the transition of output and employment from the primary to the secondary and tertiary sectors, it focuses on changes in GDP value addition, paying less heed to shifts in sectoral employment.

Inequality is not an inevitable aspect of social order. Economic militarism and mercantilist capitalism represent the collaboration between the state and capitalists. From the beginning, the capitalist system has required state support to become legitimate. Democratisation serves as a method for the ruling elites to pledge future wealth redistribution, thereby circumventing the possibility of revolution in times of social unrest (Acemoglu and Robinson, 2006). This phenomenon is known as democratic indifference towards a passive and non-rebellious society. Capitalism exhibits this indifference towards different social classes. Indifferentism is considered the most detrimental type of ailment. Such indifference within democratic politics and economics renders privatisation a legitimate procedure. It results in the defence of principles that have contributed to the problem.

For instance, the National Monetisation Pipeline (NMP) in India signals adopting the same approach that has created the problem. NMP envisages asset monetisation, which is the privatisation of government-owned assets. The transfer of performing assets to the private sector in order to liberate sterilised capital and reinvest it in other assets or projects that provide better or extra benefits is known as asset monetisation (Niti Ayog, 2021). Railway stations, passenger trains, hill railroads, notably the Darjeeling Himalayan Railway, and 26,700 kilometres of roadways are among the strategic and important assets identified for transfer to private businesses. Additionally, the NMP includes current public sector pipelines for natural gas, petroleum, and petroleum products as well as telecommunications, power transmission, and distribution (Niti Ayog, 2021). Meanwhile, major infrastructure projects are bifurcated between only two behemoths, namely, Adani and Ambani, supported hugely by governmental policy and design (Shah, 2025).

It poses a threat to economic democracy with minimal opposition. In a system that employs vast numbers of workers and mass-produces goods at consistent intervals, the State, influenced by private interests, establishes regulations ensuring that workers continue to work and the exploitative machinery of the political economy keeps turning. The escalation of privatisation assigns and distributes resources via a pricing mechanism, which is inherently exclusionary and discriminatory due to its reliance on competitive bidding. This process tends to concentrate resources in the hands of a few, fostering monopolistic tendencies. Such a concentration of economic power promotes 'rent-seeking' behaviours, where income is derived not as a reward for creating wealth, but rather by seizing a larger portion of the wealth that would have been generated without their contribution. The art of taxing, according to Jean-Baptiste Colbert, a French counsellor to King Louis XIV, is to pluck the goose to get the most feathers with the least amount of hissing. This also applies to the art of rent-seeking (Stiglitz, 2013).

Furthermore, proponents of inequality suggest that welfare spending can serve as a remedial action to mitigate the impact of escalating inequality. The first welfare theorem posits that improving one's welfare cannot occur without detriment to another's. This theorem does not advocate for the reduction of inequality within an atypical socio-economic structure. It limits the role of external intervention in addressing inequality. Furthermore, the theorem's relevance is tied to the notion of a perfectly competitive market, which is largely illusory. In markets with imperfect competition, private incentives and social benefits often diverge due to externalities and information asymmetry. Capitalist competition tends to produce monopoly power due to; first, monopolistic power results from capitalist competition because compounding gains grow exponentially rather than linearly. Second, there is a winner-take-all scenario; in order to maintain the advantages of winning early, they resort to predatory pricing. The monopoly power induces a rent-seeking negative-sum game. Rent-seeking is more prevalent where natural resources or fixed assets are in bounty. It encourages a top-down, lop-sided and exploitative model of development determined widely by monopolistic tendencies.

Legitimacy of Inequality in Capitalist Development

Furthermore, the means of production must accumulate resources to sustain themselves. Labour gathers resources to meet basic needs; however, constant accumulation by labour is unsustainable due to the perishable nature of resources. On the other hand, capital accumulation is aimed at investment or further accumulation as a fundamental objective. Unchecked primitive accumulation leads to inequality. Moreover, the disparity in resources creates a difference in the representation of opinions, causing class consciousness to fade. This perpetuates the acceptance and justification of inequality.

The economic structure of society, or the social system, is comprised of each unique period of economic development and social system mandated to restructure the productive relationships (Popper, 1962). Every phase of economic development corresponding to a particular social system shows the universal relation of class hierarchy between the agent (haves) and the recipient (have-nots) & being unfavourable to the latter. Through industrial production and profit-maximizing exchange, capitalism influences the exchange relations of production, making it easier to convert money into capital. The increased accumulation of capital is referred to as capitalist growth (Marx, 1867). Marx's theory states that this progression equates to capitalist development.

The process by which a nation moves forward along the universal path of modernisation is known as capitalist development in terms of public policy. But in everyday speech, "development" refers to the achievement of personal goals. However, Marx's concept of commodity fetishism—which views commodities as objects having an economic "life of its own," independent of the will and initiative of the workers who made them—has resulted from capitalist progress as modernisation. It hides the actual economic nature of the worker-capitalist human relations of production. Walt Whitman Rostow's development theory is the most prominent of all the theories supporting the capitalist agenda. It categorises economies as traditional, underdeveloped, developing, developed, or post-industrial based on its five-stage conception of development. The term "development" gained popularity thanks to Rostow's work (Rostow, 1960).

The capitalist definition of development encourages accumulative tendencies in each stage, which in turn affect the behaviour and essence of the state. A capitalist state empowers corporate houses to rob the public and the state revenue by contracting services, for “better efficiency.” The most deceptive euphemism, "development," has conditioned us to accept any "anti-people" plan as normal and unavoidable. The neoliberal states make it unnecessary to conceal its true instrumental role in the transformation of people's common property into private assets in the competition to advance along a universal road of progress and modernisation (Gurukkal, 2018). The neoliberal state fosters a diluted form of democracy for governance. This leads to a convergence of social institutions such as the market and democracy, driven by the advocacy of universal solutions. This method undermines Popper's concept of democracy and also distorts Marx's vision of a substantial revolution for different governance.

The rising global financial capital has left the small and petty producer, the salaried class and small savers to the vagaries of speculative and volatile finance capital (Patnaik, 2011, p. 174). Additionally, because customers are willing to pay higher interest rates in anticipation of larger speculative returns, banks expand their exposure to a more unpredictable industry like the stock and real estate markets. The potential for speculative demand for money undermines the idea of a steady "real demand for money" function, in which the quantity of genuine economic activity determines the demand for money. Therefore, greater financial intermediation and financial deepening (as determined by the ratio of financial to real wealth) do not necessarily need to be catalysts for real growth (Ghosh, 2005, p. 5).

In the meantime, it increases inequality in a way that is detrimental to growth and affects the operation of the real economy. The short-termism of capitalism has metamorphosed small savers into creatures looking for results in the short term. A growing number of low-income investors use mutual fund systematic investment plans (SIPs) and direct stock investments. It shows the victory of the financial capital. Nearly 90% of mutual fund investments come from those with incomes up to Rs 10 lakh, according to SEBI data. Starting with SIPs of Rs 500, 1,000, or 2,000, a large number of small investors making less than Rs 5 lakh annually are now joining the equity markets. In addition to the convenience of investment and the growth of equity markets, investors are drawn to real estate due to its high cost and declining fixed deposit interest rates (Singh, 2021, p. 21). The functioning of the stock market is largely based on the US Fed policy. The reversal of quantitative easing will raise the interest rate in the US economy. It will propel the outflow of stock money from the rest of the world to the US economy. In this way, financial capital centralises the control of money flow.

It is very difficult to interpret income distribution data that differentiates between two forms of inequality: intermediate & short-term income disparities and long-term income & wealth disparities. The first describes how social mobility, which is founded on equality of opportunity, is dynamic and second effectively determines social rank. In competitive free-enterprise capitalism, one is frequently swapped out for the other (Friedman, 2002). The notion of dynamic change becomes static when considering the concentrated nature of capital and entrenched social matrices, such as caste, in India.

Conclusion

Market factors are a major factor in the creation of inequality, but they are not the only factor. Inequality has been caused by self-reinforcing forces. The study's thesis is that, although market forces influence the level of inequality in capitalism, same factors are also influenced by governmental policy. Since the 1990s, there has been a significant contractualisation of labour, which has distorted the labour market to the detriment of workers and increased economic disparity between employers and employees.

The political economy of India since then has legitimised the unfettered wave of capitalist development. The investment-led growth strategy in a capital-scarce country justified itself. The rising finance capital is equated with the rising productive investment. Moreover, the judicious marginal productivity theory distorts the picture of social realities. The inequality-driven growth strategy was justified with the trickle-down hypothesis.

However, inequality is more political and ideological than technological or economic. The methodology of social determinism helps to decode the interplay of socio-economic and political forces perpetuating inequality under capitalism. In modern neoliberal capitalism, accumulating rent capital is equivalent to making a profit. It conveys both despair and hope; hope that inequality is not inevitable and that we can create a more effective and egalitarian society by altering political ideology and policies; despair because the political processes that shape these policies are strongly influenced by the capitalist mode of production in a neoliberal political order.

The trickle-down theory posits that we should focus on becoming wealthier before worrying about inequality, arguing that inequality encourages investment. However, this perspective overlooks historical contexts in the study of inequality. In reality, inequality can trap the economy in a low productivity cycle, where a significant portion of the population lacks access to basic goods, opportunities, and assets, while a select few benefit from scarcity-induced profits. To paraphrase what Einstein once said that it is absurd to employ the same approach to find a solution that has created the problem.

Unchecked capital becomes rent capital, which increases inequality without improving production. Severe discrepancies are not socially acceptable, and significant disparities can be downright brutal. Additionally, a sense of disparity may damage social cohesiveness, and some types of inequality may make it difficult to achieve even efficiency, which is harmful to capitalism's core promise. Rent capital can be exploited in a labor-rich nation like India that has a high rate of covert unemployment. Based on social determinism, the rate and character of capitalist development must be regulated. Thus, in the spirit of free market competition, regulatory actions are always required for correcting the exchange relationship between the antagonistic interests of wage, profit, and rent must be corrected.

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