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Capitalist system cause of wealth inequality

In a study titled “Survival of the Richest,” published Jan. 16 to coincide with the start of the World Economic Forum in Davos, Switzerland, Oxfam International reported that in 2020 and 2021, the wealthiest 1% of the world’s population accumulated nearly two-thirds of all new wealth. In the previous decade, 2010-20, the richest 1% had amassed around half of all new wealth.



Credit: Tony Murphy

This means that the rate of inequality in accumulated wealth has accelerated. The rich grow richer, and the poor grow poorer — faster.

Of the \$42 trillion in new wealth created since 2020, around 2,600 billionaires amassed fortunes totaling \$26 trillion. It's hard to wrap one's head around these numbers. The Oxfam report tries to break it down: "A billionaire gained roughly \$1.7 million for every \$1 of new global wealth earned by a person in the bottom 90%."

While billionaires get richer, global poverty and income inequality are increasing, meaning more hunger, starvation, homelessness and declining access to education, health care and other social support systems. The United Nations Development Program reports that human development is decreasing in over 90% of countries.

Oxfam's suggested solution to this terrible crisis is to raise taxes on the superrich and big corporations in order to reduce inequality. U.S. billionaire Warren Buffet introduced this proposal in 2019, with a warning that growing inequality could bring economic destabilization.

Labor, the source of all wealth

But simply raising taxes fails to target the root cause of this growing inequality: the exploitation of workers around the world, who produce all the wealth, while the capitalist class gobbles up an ever larger proportion of the wealth that workers create.

Oxfam's study illustrates the massive transfer of wealth from the working class to the capitalist class, yet it falls short of explaining how this happened. The billionaires did not earn this money through their own labor — they stole it through the exploitation of the labor of billions of workers around the globe.

Under the economic system of capitalism, to earn money to survive, workers must sell their labor power to produce goods and services for the bosses who own the means of production. Workers are never compensated for the full value of what they produce; in some industries they are paid only a tiny fraction of it. The difference between the value workers add to a product and the lower wages they are paid becomes the profits that make up most of the billionaires' accumulated wealth.

Globalization and neoliberalism

The wealth gap described by Oxfam did not just happen in the past two years. Capitalist globalization and neoliberalism have made wages stagnant, while often replacing workers' direct labor with automation. Cycles of overproduction have led to repeated economic recessions since 1980, while taxes on the rich dropped worldwide.

The improvements in transportation and coordination of production in different regions and the development of high technology allowed capitalists to move factories anywhere in the world, to wherever wages were lowest. If workers organize and protest, the capitalists

might move their factories and other means of production to another country, where they can get away with paying even less.

This process, known as globalization, expanded enormously after the disappearance of the socialist Soviet Union and changes in the policies of China had opened up the entire world to investment. Through superexploitation under end-stage capitalism, the capitalist class is able to gobble up more and more of the wealth workers create.

High-tech layoffs

High tech greatly increases productivity while reducing the number of workers needed in any industry. No industry is exempt — witness the layoffs now rocking the high-tech industry.

There were at least 154,000 layoffs of workers from over 1,000 tech companies in 2022, according to Layoffs.fyi, a website tracking tech layoffs since March 2020. This many layoffs in one industry are comparable to all the layoffs combined in the auto industry in 2010 resulting from plant closings and the economic recession, triggered by the subprime mortgage market collapse of 2007-2008.

It is anticipated that the bleed in tech industry jobs will continue into 2023. Microsoft just announced layoffs of 10,000 workers, despite over \$136 billion in profits in 2022. Amazon just cut 18,000 jobs. Alphabet, Inc., parent company of Google, announced 12,000 job cuts. The Economic Times estimates an average of 3,000 tech jobs are being eliminated on average per day so far in 2023. (Jan. 22)

Billionaires gather in Davos

Oxfam published their report just as the WEF was opening its annual meeting of the world's capitalist elites. Oxfam explained: “As billionaires, government leaders and corporate executives jet in to meet atop their mountain in Davos, Switzerland, the world faces a dramatic, dangerous and destructive set of simultaneous crises. These are having a terrible impact on the majority of people” on the planet.

The billionaires at Davos are only worried that the wealth gap might stir up struggles against them. The gathering in Davos is taking place amidst growing and widespread workers' labor actions in England, Scotland, the north of Ireland, Wales, France, the U.S. and elsewhere, with crippling strikes in transit, education, health care and more. Workers are rising up against wage and benefit reductions and threats to cut social programs, including workers' pensions.

Yet whatever deals come from the billionaires' meeting in Davos, they can't solve the crisis. The system determines that those who make the highest rate of profit win. Of course, the individual capitalists are greedy, but the capitalist system promotes greed.

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