Inequality & Insecurity: An Unorthodox Correlation

Among the many economic challenges that Pakistan faces, the issue of inequality often gets neglected and is seldom discussed. With the publications of the United Nations Development Program's (UNDP) *Pakistan National Human Development Report 2020*, however, the issue has been brought forth once again for the consideration of academics, policymakers, and public managers. The report itself presents a grim situation of economic inequality in the country.

Measuring inequality using two broad parameters viz. income and human development index (HDI), the report states that the top 20% of Pakistanis earn almost half of the country's income, while the share of the bottom quintile in the income pie is a meager 7%. Similarly, the HDI for the top quintile is close to 0.70, while for the bottom quintile, it is a paltry 0.419. For comparison, the Marshall Islands has an HDI value of 0.7, while Chad (a central African country) has a value close to 0.4, indicating, as the report rightly notes that rich and poor Pakistanis inhabit very different worlds.

Closely related to the debate on inequality is the issue of elite privilege. The situation again is unfavorable for Pakistan, as the report notes that the elite privilege costs approximately PKR 2.66 trillion, which is over 7% of the country's Gross Domestic Product (GDP). The class-wise breakdown of elite privilege is as follows: PKR 724 billion (corporate elites including banking sector), PKR 370 billion (feudal landlords), PKR 368 billion (high net worth individuals), PKR 257 billion (military elite), and PKR 941 billion (bourgeoisie class including large merchants, exporters, and state-owned companies).

While these are troubling statistics for a country already in economic doldrums, it should be noted, however, that the trend of economic inequality in Pakistan is not inconsistent with the rest of the world. For example, a recently released report by Credit Suisse reveals that the top 1% of the global elite own as much as 43.3% of the global wealth. Similarly, another report by Oxfam notes that 26 ultra-wealthy individuals (down from 380 in between 2009-18) own as much wealth as the bottom half of entire humanity!

The best theoretical explanation of the colossal income and wealth inequality comes from the research work of French economist Thomas Piketty. In his bestselling book *Capital in the Twenty-First Century,* Piketty shows that in the post-World War II era, the share of capital in national income has grown steadily higher than the share of labor in the national income. This is attributable to the returns on capital yielding a higher rate than the growth in the overall economy or $r > g$; a mathematical inequality that sums up the entire prognosis of Piketty's *Capital*.

Indeed, this formulation is remarkably accurate even for developing countries like Pakistan. This is evident in the datasets that show that the rate of return on equity (capital) in Pakistan averages to a whopping 18.66% from 1996 to 2017. On the other hand, economic growth for this period is a lacklustre 4.10% on average, and 5.13% if we consider the full range of data available from 1961 up to 2019.

In this context, then, the UNDP's report on Pakistan's economic inequality should come as no surprise given the fact that our policymakers and researchers have consistently ignored, over the years, the economic divergence resulting from r (= 18.66%) > g (= 4.10%).

Income and wealth inequality is not only harmful to the economy, it also has severe repercussions for a country's internal security and national defense. This issue was also highlighted in Session 2 of the *Islamabad Security Dialogue,* where other issues about human security like population explosion, food insecurity, and rampant poverty also came under discussion by a distinguished panel.

Indeed, research from various disciplines—economics, political science, and social psychology—shows that greater levels of socioeconomic disparity correlate with higher crime rates and heightened internal security concerns. According to a 2020 study conducted by Colletta & Cullen, economic disparities, such as wealth and income inequality, erodes what the authors call social capital, which is defined as the trust of the citizenry in the society and state and its many institutions of governance. This, consequently, results in a weakening of social cohesion creating many conflicts and ruptures in the social body.

There are a plethora of examples from around the world to back up this theory. For example, in the aftermath of the November 2015 Paris attack, Thomas Piketty publicly claimed that rising economic inequality in the world, especially in Muslim countries was one of the main factors behind the rise of the Islamic State or ISIS.

At home, no other group epitomizes the unorthodox correlation between inequality and insecurity better than the recently outlawed Tehreek-e-Labbaik Pakistan (TLP).

In recent history, TLP has emerged as a source of unabated nuisance for the government, Law Enforcement Agencies (LEAs), and the general public owing to their signature *dharnas* and blocking off main arteries of big cities in a bid to realize their ultra-conservative Islamist objectives.

However, many analysts insist on seeing the TLP from a class lens. They argue that TLP is an embodiment of the pauper, the forgotten, the wretched of the earth, who increasingly feel that all the mainstream political parties have betrayed their trust and no longer represent their class interests. This line of argument is backed by empirical evidence as well. Data from the 2018 exit polls compiled by Gallup Pakistan showed that an average TLP voter was poorer than the average voter of the mainstream parties.

Small wonder then that the TLP emerged as a difficult internal security challenge as the Pakistani state (and its institutions) has largely overlooked the human security of a large number of its citizens. Thus, to neutralize security threats posed by extremist outfits, banning them is, at best, a short-term solution. A more long-term and sustainable solution entails developing social capital and working on human security by eliminating poverty, illiteracy, economic inequality, hunger, and other socioeconomic ills. The state, being a second mother, should take the first step.

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