Unit V 3: Blind Spots in Economics

1. Summary

Economics focuses on the optimal functioning of markets, the distribution of goods and services to consumers and the allocation of necessary raw materials, goods and services to firms. Economics assumes that market participants behave in an economically rational manner. Furthermore, it is usually assumed that the environment and its resources "just exist". Social inequality between different population groups is also generally not addressed in a sufficiently differentiated manner. The unequal distribution of income can be measured with the so-called Gini coefficient. Over the last 500 years, unequal income has increased in most periods, sometimes more and sometimes less. Poverty is usually multifactorial and the result of various causes. When there is a lack of quality of life over a long period of time, one can speak of relative poverty.

2. The subject of the economics

Basically, economics deals with questions of satisfying people's needs from the perspective of a national economy. It focuses on the optimal functioning of production, distribution and allocation of goods and services. Allocation means "which goods are produced in which processes and with which means of production, where and when. The market and price mechanism solves this allocation problem in such a way that scarce resources (factors of production) are directed to where their use is most urgent" (Eisenhut 2012:51). In this context, the market economy provides the most effective allocation; it cannot be increased by redistribution mechanisms (cf. Eisenhut 2012:52). By distribution is meant the distribution of goods to consumers.

Or as Brauchle/Pifko (2006:19) put it: The subject of economics is "the economic activity of an entire nation, i.e., the interaction of all institutions and procedures for the production and distribution of goods of a nation and the basic economic questions of income distribution, growth, business cycle development, etc., resulting from this." Erhard Glötzl (in Humane Wirtschaft of May/June 2009a:3) posited that advanced civilizations emerge only when a society has successfully solved both the production and the distribution problem. Conversely, a high culture would then perish when it was no longer able to successfully solve the distribution problem. If this is true, then most highly industrialized states today are on the verge of extinction. For hardly ever in human history has property been so unequally distributed as it is today.

The central concern and main goal of any national economy is to ensure a sustainable, i.e. long-term, supply of goods and services for all people. This requires, among other things, stable framework conditions, e.g. in the form of a reliable legal system, stable and efficient production, secure income for those who demand it and - above all - trust in the economic system. Moreover, because even in the best market, not all people have access to the market or the financial means necessary to purchase all desired goods and services - e.g. poor and near-poor population groups - the question arises in every economy as to which goods and services the general public must secure for everyone and thus finance (securing existence through social insurance, social assistance, etc.). From this follows the compelling question of the basic needs to be satisfied under all circumstances and for all people. Therefore, social security and social insurances are also topics of economics. Conversely, the question must also be answered for which needs it is legitimate and justifiable that only a part of the population can satisfy them - namely those people who have the corresponding financial resources. This is done via the market.

A complicating factor is that the needs of the demanders change over time - and that the individual market participants have very different needs.

A crucial mechanism of the market economy is that the market ensures that the most favorable supplier has the greatest chance of selling his products. Especially since the accelerating globalization of markets, the production factor labor has become an increasingly important competitive factor: While the production factors capital and know how tend to converge, there are still enormous differences in the costs of the production factor labor worldwide. Therefore, it is undoubtedly true when Martin and Schumann (1997:216) write: "What really counts on the world market are ... unit labor costs, i.e. the production value that can be produced with one unit of labor". Unit labor costs in West

Germany, for example, rose by 97% between 1974 and 1994, and by as much as a full 270% on average in the other OECD countries (Martin/Schumann 1997:216). Strictly speaking, the relationship between unit labor costs and sales price match is decisive.

2.1 Blind Spots in Economics

The metaphor of homo oeconomicus is usually at the center. Homo oeconomicus is assumed to act rationally, assuming the fundamental scarcity of goods and services. Accordingly, it is assumed that a large number of suppliers offer their products and services on a market that is open in principle. The consumer orientates himself on the market via the existing offers and selects the product which is optimal and cheapest for him. This - according to the idea - creates a permanent situation of competition in which a supplier can gain competitive advantages through innovation, lower prices or special additional services.

The economist Thomas Kesselring (in Neue Zürcher Zeitung, 17.3.2009) rightly criticized that classical economic theory focused on the factors labor, capital and - in some cases - education and know how, while neglecting another, often decisive value-adding factor, nature. For too long, the - false - conviction prevailed that nature and natural resources were "just there," and that it was only a question of the manpower and technology employed to bring raw materials to light. In the last 20 years, however, nature or the scarcity of natural resources has increasingly become the decisive limiting factor. Thus - according to Kesselring - "fishing ... is more likely to reach its limits because of a shortage of fish than because of a shortage of ships, and the use of fossil fuels is more likely to reach its limits because of the atmosphere's limited capacity to absorb carbon dioxide than because of a lack of refining." In contrast, both monetary wealth - capital - and labor can be increased (almost) indefinitely.

In recent years, there has been an increasing exaggeration and idealization of the market, which has been understood as the measure of all things - in this context, wicked tongues have spoken of a "fetishization of the market. In the process, the problem of difficult or denied market access was not infrequently ignored, structural disadvantages of individual population groups in existing markets - such as women in the labor market or the poor in the "upscale" consumer goods market - were overlooked, or structural barriers to market access

- such as the systematic non-recognition of foreign professional diplomas or the exaggerated weighting of formalized qualifications in the domestic labor market - were ignored. At the same time, international free trade and investment agreements have favored foreign, financially strong production companies over domestic producers in many countries. An example of this in many countries is domestic agriculture, the protection of which by government measures has paradoxically been repeatedly portrayed as favoritism and protectionism or even discrimination against foreign companies. Yet domestic agriculture is crucial to a country's food security.

The problem of poverty - both internationally and nationally - has also long been treated stepmotherly in economics.

2.2 Social inequality

A major problem in economics is the unequal performance of individual population groups. This inequality exists in particular at the global level, i.e. between individual countries, because local and national differences in wealth and income are additionally reinforced and masked by economic systems and modes of production that are developed to different degrees.

In this context, both income and wealth distribution change over the years: Both can develop either in the direction of more equality (homogenization) or in the direction of more inequality (heterogenization). For example, the incomes and wealth of the 10% richest in the U.S., the U.K., Germany, France and Sweden declined until the 1970s, only to rise again since then (see Wegelin in WochenZeitung, 17.4.2014:6).

It is true that the share of the poor in the world population has decreased in relative terms, i.e. proportionally, until 2019, or that the average income has shifted slightly upward since 1970. But the share of people with small and lowest incomes is still very high (see also Cudré-Mauroux / Stadler in Die Volkswirtschaft 3-2016:17). And in the Corona year 2020, the share of non- and micro-income earners is likely to have increased again in many poor countries and in some emerging states.

One reason for this may be that until the 1970s there was a - more or less - strong redistributive effect from top to bottom in many countries, which - among other things under the influence of neo-liberalism - turned into its opposite. According to Piketty (cf. Wegelin in WochenZeitung of 17.4.2014:6), one reason why the wealth of the 10% richest declined after the two world wars is that a great deal of wealth was destroyed during the wars, especially in Europe and Asia, and that progressive taxes were introduced after the Great Depression and social insurance schemes have since been expanded, all measures that promoted redistribution. At the same time, high economic growth during the reconstruction process led to a larger increase in lower and middle wage incomes. In contrast, since the 1980s, the annual returns on capital of large fortunes have increased, leading to greater inequality between small and large fortunes (and incomes).

But how does one calculate social equality or inequality in the first place?

A generally accepted way of calculating social inequality is the so-called Gini coefficient. This involves plotting on a two-dimensional graph on one side - on the vertical axis - the level of income of the individual groups and on the other side - horizontal axis - the population distribution. If the distribution of income among the various population groups were equal, the result would be a diagonal straight line. The further down the curve is bulged, the more unequal is the income distribution. Given as a coefficient, this means: If each individual earns exactly the same amount, the Gini coefficient is 0. The most extreme case of undistribution, i.e., if one person receives all the income, the Gini coefficient is 1. In the U.S., the Gini coefficient is about 0.45. In Scandinavian countries, the Gini coefficient is about 0.3, and in less developed countries, e.g.: Brazil 0.55 (Haas et al. 2010:59). In the Federal Republic of Germany (excluding the new federal states), the Gini coefficient between 2005 and 2008 was 0.29. In Switzerland, the Gini coefficient was 0.33 in 2006, 0.32 in 2007 and 0.34 in 2008 (see Gratwohl in Neue Zürcher Zeitung, 5.8.2015:1). However, the Gini coefficient in Switzerland fell from 0.34 to 0.30 between 2009 and 2012 (cf. Gratwohl in Neue Zürcher Zeitung, 5.8.2015:1), according to an estimate by the BAK Basel research institute and the Faculty of Economics at the University of Basel (WWZ).

Converted to absolute figures, a Swiss earned an average of Fr. 58,802 per year in 2012, a full Fr. 6,700 more than in 2007. In the same period, the median income rose to Fr. 49,981, with an equal number of people having incomes higher and lower than this amount (see Gratwohl in Neue Zürcher Zeitung of 5.8.2015:1). The fact that the average income was significantly higher than the median income suggests that some of the above-average incomes must be exorbitantly high, indicating very pronounced income inequality.

With regard to wealth, the Gini coefficient in Switzerland was at a record high of 0.803 in 1997; only just in Zimbabwe and Namibia were wealth distributed even more unequally (Mäder/Jey Aratnan/Schilliger 2010:58).

In other words, Switzerland had the most unequal wealth distribution in Europe in 2013. The average wealth distribution in the EU countries (EU-15) was 0.68 of the Gini scale in 2013. More equal distributions were found in Italy (0.61), Spain (0.58) and Greece (0.56). The lowest wealth inequalities were in the former communist states of Slovenia and Slovakia. This should actually give pause for thought.

However, the number of people living on less than 1.25 U.S. dollars per day decreased successively and significantly between 1980 and 2010-but hardly in sub-Saharan Africa (see Frieden in Die Volkswirtschaft 7/8-2013:32).

Especially the countries in Central and East Asia (China!) as well as in the East Pacific were able to reduce poverty significantly, while it remained constant or even increased in South Asia (India, Pakistan, Southeast Asia) as well as in Sub-Saharan Africa (cf. Frieden in Die Volkswirtschaft 7/8-2013:31).

However, even in rich countries, more and more people are becoming concerned about their social situation. While 40% of citizens in Germany were still "not worried" in the 1980s, the corresponding figure was 30% in the 1990s and just 23% in 2007 - i.e., before the financial crisis (Grabka/Frick 2008:106, cited in Thielemann/Ulrich 2009:14).

In the USA, one of the richest countries in economic terms, the issue of poverty has meanwhile also reached the center of society. According to a study by economists Anne Case and Angus Deaton (cf. Winkler in Neue Zürcher Zeitung, 28.3.2017:5), the mortality rate in the white population group between 45 and 54 years of age with little education has increased markedly compared to other population groups. In other words, in 1999, life expectancy was about 30% higher among the white, low-educated underclass between the ages of 45 and 54 than among African Americans - by 2015, this ratio had reversed. The same trend was seen in the 24- to 44-year-old and 55- to 64-year-old age groups. Even though declining life expectancy was not accompanied by a corresponding reduction in income, the study's authors saw a correlation with growing despair, falling apart families and social isolation, as well as drug, alcohol and medication addiction. All of these phenomena are usually indicators of poverty or poverty risk. The authors spoke of a nationally expanding phenomenon of "death as a result of despair" (cf. (cf. Winkler in Neue Zürcher Zeitung, 28.3.2017:5). This development has a real basis. A triennial survey of the financial situation of American families conducted by the U.S. Fed in September 2017 revealed an increasing polarization of income and wealth: never since 1989 have the richest families - namely 1% of families - had such a large share of income, namely 23.8%. This meant that they earned the same amount as the closest 9% of American families in terms of income. At the same time, the share of total income of the remaining 90% of American families fell to below 50% (see Lanz in Neue Zürcher Zeitung, 29.9.2017:36). The distribution of wealth was even more extreme: the richest one percent of all families owned 38.6% of all wealth, which was more than the next 9% for the first time since 1995. On the other hand, the wealth share of the remaining 90% of American families declined uninterruptedly since 1989, from 33.2% at that time to 22.8% in 2017 (see Lanz in Neue Zürcher Zeitung, 9/29/2017:36).

The wage and thus income gap has widened in many countries in recent years: between 1976 and 1996, the ratio of wage levels between board members and workers/employees in the 100 largest German companies was between 15:1 and 20:1. In 2007, the wage gap had already widened to 43:1 (Thielemann/Ulrich 2009:20). In Switzerland - as figures from the canton of Zurich, for example, show - income inequality declined between the Second World War and 1975, only to increase again from the 1980s onward after a few years of stagnation. Income inequality in the canton of Zurich declined the most between 1945 and 1952, by

0.0641 Gini points or 12%. Between 1970 and 1975, income inequality still decreased by 8.5% (Mäder/Jey Aratnan/Schilliger 2010:53).

At the global level, inequality is more striking. For example, as early as 1996, a UN study found that the 358 richest billionaires had almost half of the world's income (UN Development Report 1996, cited in Hannich 2002:24).

Sen (2003:16) pointed out that common economic indicators, for example per capita income, often do not express the actual poverty or standard of living of a people: "For example, the citizens of Gabon, South Africa, Namibia or Brazil may be richer in terms of per capita distribution of gross national product than the citizens of Sri Lanka, China or the Indian state of Kerala, but the latter have a considerably higher life expectancy than the former. Or to take another example: It is often pointed out that African-Americans in the United States are relatively poor compared to white Americans, yet much richer compared to people from the Third World. It is important to realize, however, that African-Americans have an absolutely lower chance of reaching adulthood than do the people of many Third World countries, such as China, Sri Lanka, and parts of India, who have very different health care facilities, educational systems, and social relations" (Sen 2003:16).

Not insignificant is the fact that inequality between countries in the North and the South, but also within individual countries, continues to worsen:

In 2010, according to the World Bank, the average income in the richest 20 countries in the world was 37 times higher than the average income in the poorest 20 countries (Cohn 2010:388). This represented a doubling of the difference over the past 40 years. The share of OECD countries' gross domestic product in world output grew from 66% in 1970 to 78% in 1995 (Cohn 2010:388). While real GDP per capita in developing countries grew from US$936 to US$1417 between 1980 and 2000, it increased from US$20,397 to US$30,557 in highly developed countries during the same period (Cohn 2010:388).

Even within individual countries, the gap between rich and poor is deepening. For example, in 1995, the real family income of the richest 5% of the U.S. population was 130% higher than in 1973, while the family income of the poorest 20% of the U.S. population in 1995 was at the same level as in 1973 (Cohn 2010:388). This means that relative poverty in the U.S. grew during this period. Income inequality has also increased significantly in many developing countries over the past 20 years.

More recent figures in the U.S. were alarming: in 2010, household incomes in the U.S. declined in real terms for the third consecutive year. At the same time, the U.S. poverty rate rose from 12.5% to 15.1% between 2007 and 2010 (see Neue Zürcher Zeitung, Sept. 15, 2011). According to the poverty line established in 1965, a family of four is considered poor in the U.S. if its income is less than $22,113.

The average income of an American family in 2010 was $49,400.- This amount was 6.4% lower than in 2007 and even 7.1% lower than the previous high of 1999 (Neue Zürcher Zeitung of 9/15/2011). The median wage for men in 2010 was $47,715.-, a value that had already been reached in real terms in the 1970s. Men's wages have been stagnant for some time, while women's wages have steadily increased.

For a long time, poverty in the U.S. was largely a temporary phenomenon. Between 2004 and 2007, for example, only just 2% of the American population was permanently below the poverty line. That now seems to have changed: Today, for example, the poverty line for children is said to be a high 22% (Neue Zürcher Zeitung, 15.9.2011)!

In Switzerland, 68% of the population had less than 100,000 assets in 2009, while every fortieth person had more than 1.2 million francs in assets (Mäder/Jey Aratnan/Schilliger 2010:10). Over the past 20 years, the wealth of the 300 richest people in Switzerland increased from 86 billion francs in 1989 to 449 billion francs in 2009. Commenting on this development, the authors write: "The gap between top and bottom has been widening since the 1990s, especially in terms of wealth, but also in terms of disposable income. What is of interest here is what will happen if this continues. Individuals with wealth fear that increasing inequality will endanger social cohesion" (Mäder/Jey Aratnan/Schilliger 2010:11).

Two studies published in 2011 came to a somewhat different - and more differentiated - conclusion. According to these, the incomes of the richest percentage of the population or the 10% richest in the USA, Canada and Great Britain developed in a U-shape (cf. Atkinson et al. 2011): At the beginning of the 20th century, the income concentration of these population groups increased, while it declined again by the end of the 1970s, only to increase massively again in the 1980s and especially in the 1990s. A similar development was seen in Sweden and Norway. In contrast, the income shares of the richest population groups fell in France, Germany and the Netherlands at the beginning of the 20th century. Even in the recent past, the incomes of the richest population groups in these countries increased relatively less than the corresponding population in the Anglo-Saxon countries. It is interesting to note that the increase in government spending reduced the income gains of the richest - with the exception of the richest percentage of the population - while the richest percentage of the population remained unaffected (see Schaltegger/Gorgas in Neue Zürcher Zeitung, Aug. 2, 2011). In Switzerland, income distribution remained remarkably constant from 1917 to 2011. This was true for the richest 10%, 5%, 1% and 0.5% of the population. According to the authors (see Schaltegger/Gorgas 2011), the reason for this is the stable political and economic development of Switzerland. Accordingly, income increases were distributed relatively evenly across all population groups. However, there were strong cantonal differences: While the central Swiss cantons of Schwyz, Zug and Nidwalden showed a strong U-shaped development of the top incomes, income increases in the most populous canton of Zurich were rather constant among the groups with the highest incomes, and in the canton of Bern, the upward income concentration even decreased (Schaltegger/Gorgas in Neue Zürcher Zeitung, Aug. 2, 2011).

2.3 Poverty and Wealth

Sen (2003:110) has rightly pointed out that poverty is not only expressed in terms of low income, but also as a "lack of fundamental opportunities for realization." I myself put forward the thesis more than 20 years ago that poverty is also expressed in immaterial aspects and could also be defined as a "lack of quality of life" (cf. in detail Jäggi 1995). Poverty research has shown that the interplay of causes for poverty is extremely complex and that poverty is multifactorial in the vast majority of cases.

Today, a distinction is often made between poverty experiences, which are narratively mediated, and income poverty (see Hartlieb 2013:40). The former can vary widely and are highly subjective, while economic definitions of income and asset poverty make a claim to objectivity, albeit often a false one. Subjective experiences of poverty are strongly influenced by the socio-cultural environment, and comparisons in living situations play a large role. Income poverty only takes monetary poverty into account, but overlooks other deficits - e.g. those of an immaterial nature (cf. chapter 2.4) - and also resources, such as cultural and social capital in Bourdieu's sense.

It has become common to distinguish absolute poverty from relative poverty. Hartlieb (2013:75) has pointed out that relative poverty usually relates the income situation of households to the median of total household incomes, "with the poverty line set at an - ultimately arbitrary - percentage of total median household income" (Hartlieb 2013:75). This threshold is 60% in the EU and North America, and 50% in other countries. In this context, this limit is often regarded as a kind of "socio-cultural subsistence minimum," which is of course problematic in individual cases. This is partly because costs and resources in individual households can vary greatly depending on location and concrete situation.

Absolute poverty is a different matter. Here, a global income floor is calculated on the basis of economic data, below which the lives of the poor are fundamentally threatened by numerous hazards. This absolute poverty line - also called PPP Purchasing Power Parity - was 1.25 US dollars per day in 2005 according to calculations of the World Bank (cf. Hartlieb 2013:79), which was set at 1.90 dollars per day in 2015 and corresponds to the purchasing power of 1.25 dollars in 2005 and 1 dollar in 1985 (cf. Lingnau 2016). However, there are in principle the same objections against this calculation method as against the relative poverty line: in rich - and expensive! - countries, the line is much too low; no one could survive in Switzerland, for example, on $1.90 - about 2 Swiss francs; even emergency assistance for asylum seekers is several times that amount, let alone social assistance.

While absolute poverty confronts those affected every day with the question of whether and how they can survive, relative poverty manifests itself primarily in the form of permanent deficits in one or more areas of life. Swiss poverty researcher Pierre Gilliand (1991:49) defined absolute poverty as follows: "The concept of absolute poverty implicitly refers to a kind of physiological threshold below which basic needs such as food, clothing, housing, and heating are no longer met. Those who are below this subsistence poverty line are called poor. However, this biological threshold is not a constant quantity, because a person's needs depend on time, place, living habits (especially eating habits), membership of a particular sociocultural group and society as a whole." In 2010 - according to Eisenring in Neue Zürcher Zeitung of 2.4.2014:31 - 17.7% of the world's population lived in extreme poverty. Two thirds of these poor lived in only five countries: India, China, Nigeria, Bangladesh and Congo-Kinshasa (cf. Eisenring in Neue Zürcher Zeitung, 2.4.2014:31). If one adds five more countries, namely Indonesia, Pakistan Tanzania, Ethiopia and Kenya, about 80% of the poor live in these 10 countries in total. Even considering that among these countries, six are among the most populous, this concentration of poverty remains astonishing - and frightening. Even if it is true that 35 million people were able to leave the realm of extreme poverty each year between 1990 and 2010 (see Eisenring in Neue Zürcher Zeitung, 2.4.2014:31), the task remains enormous. To eradicate extreme poverty, 50 million people would have to be lifted out of poverty annually (cf. Eisenring in Neue Zürcher Zeitung of 2.4.2014:31).

Absolutely poor people are more or less constantly confronted with death (hunger, disease, war, natural disasters, etc.), while relative poverty is more comparable to a creeping severe disease. Both absolute poverty and relative poverty are expected to grow geographically and socio-demographically. Relative poverty is "in a sense a measure of existing inequality" (Gilliand 1991:50) in social and economic terms.

Poverty of some is always associated with wealth of others. While on the one hand poor people own so little that they do not know how to survive the next day, on the other hand there are people who do not even know what all belongs to them. The prerequisite for this was that wealth in the form of money and capital could be separated from real goods.

In the course of time, and especially since the Second World War, the gap between the richest and the poorest has widened more and more. This is true for both wealth and income. In the first decade of the 21st century, 90% of the inhabitants of OECD countries lived in the top 20% income group worldwide (Cohn 2010:34).

While downward possessions in the form of debt can be less than zero, and in extreme cases, i.e. depending on the distribution of wealth, can numerically reach the total value of all wealth existing in the world - the upward possessions of an individual can theoretically comprise at most the totality of all goods and property rights existing on this planet.

In practice, however, there is a size above which the accumulation of even more wealth no longer makes sense: even the richest person cannot eat properly more than three or four times a day, even the richest person cannot occupy a hundred houses at the same time, and so on.

In addition, the sum of all debts in an economy is always equal to the sum of all assets (see Glötzl in Humane Wirtschaft May/June 2009a:2).

Already in 2002, 10% of the German population over the age of 17 owned 57.9% of all net assets, while the bottom 50% owned on average zero assets (Moewes in Humane Wirtschaft May/June 2009b:7). In 2007, the 10% richest already owned 61.1% of all net wealth, while the wealth of the remaining 90% had continued to decline in real and nominal terms since 2002. Or here are some other figures: According to Liebert (in Le Monde Diplomatique, August 2012:11), 0.1% of German households owned 22.5% of all assets in the country in 2012. The richest percentage of the population owned 35.8% of all assets - that is, more than one-third. The richest 10% of the German population even owned two-thirds of all assets, while the entire bottom 50% of the population had just 1.4% of German assets. This is not only ethically extremely problematic, but also has negative economic consequences.

Therefore, ownership should be capped. It therefore makes sense to set a certain maximum amount for the assets of individuals. It makes sense that the wealth limit should be high enough so that, on the one hand, people can live off their wealth without any problems, and on the other hand, the wealth limit should be low enough so that enough of the excess wealth can be used for the benefit of others. Moreover - and this is the third point - the wealth yield should be low enough to slow down, if not stop, debt processes at the level of the national economy (for more on this, see ► Unit V 32: "Wealth redistribution").

2.4 Poverty as permanent deficits in important areas of life

Often, different deficits or poverty factors reinforce each other. It has been found, for example, that addiction problems are intensified by unemployment because the daily routine structured by work is eliminated when people are unemployed, which in turn increases the destitution of drug addicts (see Wresinski 1987 and Jäggi/Mächler 1989:34-39). Individual deficits and areas of deficit may be latent for years until a specific event makes them manifest and they break through openly. Such an event can be an accident, a serious illness, the loss of a partner relationship, a high dental bill, the loss of a job or any other event. This can also happen to a person who is materially well off. For example, a 35-year-old mechanical equipment designer who had his own apartment, was earning well, and had a secure job, reported how, after attending a three-day company seminar, he suddenly suffered from loss of appetite, could no longer sleep, and began to hear voices. Neither medical nor psychotherapeutic treatments were of any use. He lost his job, was no longer employable as a sick person, and the unemployment insurance fund stopped paying him after 30 days. Materially, he fell below the subsistence level. The person in question had - according to his own statements - always been a "quiet, shy type" (Jäggi 1995:33).

In the last 20 years, a concept has been increasingly used to determine the living situation of the poor and the factors that come into play in poverty contexts. The life situation concept combines personal predispositions, social network, economic situation and political circumstances in such a way that poverty is understood as "multiple deprivation" (Noormann 1991:46). The life situation concept has been used in various German studies, but also in the Bern Poverty Study and in other Swiss studies. In the 1970s, Ingeborg Nahnsen (1975:148-150) developed "fictitious individual spheres of life situation," according to which the personal life situation and personality development depend essentially on five spheres, namely: "1. supply or income sphere (provision of goods and services); 2. contact and cooperation sphere (cultivation of social contacts, interaction with others); 3. learning and experience sphere (social interaction). Scope for learning and experience (socialization conditions, form and content of internalization of social norms, education, work experience, spatial mobility); 4. scope for leisure and regeneration (psycho-physical stresses due to work, living environment, environment, existential insecurity); 5. scope for disposition (co-decision-making in various areas of life)" (summary by Husi/Meier in Widerspruch 24/December 1992:164).

Various authors, such as Gerd Iben (1989:278), have condensed the concept of living conditions into interactionist understandings of poverty. According to this concept, the individual poverty factors influence each other. In the "Pentagon of Poverty," Gerd Iben (1989:278) summarized five main factors of poverty: Inadequate social networks, personal biography, social values, work and income, and costs and consumption. To me, this compilation does not seem entirely satisfactory because at least two of the five factors, work/income and cost/consumption, primarily involve material deficits, and two other criteria (biography and societal values) are very strongly merit-centered.

Following our earlier publication (cf. Jäggi/Mächler 1989:11), we assume in the following seven central areas of need - which we developed independently of other authors on the basis of empirical data - in human life (Jäggi 1995:36ff):

1. Integration into an intact social network,
2. secure and socially recognized economic activity in the form of work, which generates both material income and a sense of life and daily structure,
3. correspondence between individual needs and external reality,
4. rootedness in a socio-cultural tradition and access to a viable worldview and associated values,
5. embeddedness in an intact natural environment,
6. access to religious and spiritual experiences, and
7. access to educational opportunities.

Prolonged and deepening deficits in one or more of these areas result in a lack of important elements of quality of life, ultimately leading to situations of relative poverty.

Deficits may exist in individual areas or in several of them at once. For example, in 2017, many people still did not have access to energy or clean food. This year (2017), 15% of people in South America (excluding Brazil) still did not have electricity, 79% in Sub-Saharan Africa, 66% in India, 63% in Pakistan, and 42% in Indonesia. No clean cooking facilities were available to 5% in South America (excluding Brazil), 68% in Sub-Saharan Africa, 33% in China, 25% in India, 31% in Pakistan, and 27% in Indonesia in 2017 (see One World June 2017:17).

But what are the approaches to poverty reduction? Meinhard Miegel (2010:39) has put forward the basic thesis that - at least in wealthy countries - poverty "can only be eliminated by a more equal distribution of the quantity of goods and services generated, not ab er by increasing it." According to Miegel (2010:39), whether a country is rich or poor has little influence on the proportion of poor people. Although this is debatable, it is true that the total amount of goods and services produced is increasing and probably exceeds the increase in population. In other words, there is indeed more and more to distribute. This is even more true for wealth, which has also grown in the last decades - and especially its unequal distribution has increased.

An interesting question is the correlation between poverty and human rights standards and existing democracy in the countries concerned. On the one hand, recent research such as the Cingranelli-Richards Human Rights Dataset (CIRI) seems to point to a positive correlation of human rights standards and prosperity or, conversely, poverty levels and low human rights standards (see Doering 2012:57/58). However, poverty research has shown early on that very different poverty factors often feed off each other, which is why poverty cannot simply be abolished or reduced in a monocausal way - such as improving human rights standards in a country. Rather, poverty is multifactorial and manifests itself both immaterially and materially. This was already one of the first findings of poverty research more than 20 years ago, cf. e.g. Jäggi/Mächler 1989:86ff.

2.5 Reshaping of Stratification and Class Structure on a Global Level

As we have seen, social inequality and the differentiation of different income strata have increased in recent decades. It is undisputed that worldwide and in many countries there are large groups of the population that hardly or only temporarily participate in economic and technological development. This downward social differentiation is matched by an upward social differentiation.

But at the same time, the question arises whether, in connection with globalization, something like an "affluent world bourgeoisie" or a new "transnational capitalist class" has developed or is emerging. This question is controversially discussed by sociologists, but also by some economists. Characteristic of this global class of (rich) people is their activity in different countries: "Fifty years ago, large corporations were mostly active in a single country and thus subject to the rules of a particular country. Today, however, multinationals are no longer tied to any particular country. This increases their influence on governments" (Mäder/Jey Aratnan/Schilliger 2010:127/128).

Leslie Sklair (2008:213ff) put forward the following four theses in this context:

1. On the basis of transnational corporations, a transnational capitalist class emerges that more or less controls globalization. As evidence for this thesis Sklair sees the functioning of the leading business circles in the global economy.
2. Because capitalism operates globally, there are actors who "have more power than others, and in some social spheres those who control the forces of global capitalism make decisions that affect the lives of many, if not most, people on earth" (Sklair 2008:214)
3. "The globalization of the capitalist system reproduces itself through the profit-driven cultural ideology of consumerism" (Sklair 2008:214).
4. Transnational class consciously and purposefully works to address two key crises, namely "(1.) the simultaneous amplification of poverty and wealth within and between communities and societies (the crisis of class polarization) and (2.) the unsustainability of the system (the ecological crisis). Global capitalists do recognize the class crisis (and in some cases more clearly than national governments), but they see it predominantly in marketing terms" (Sklair 2008:214).

In contrast, Hartmann (2008) argues less with system-immanent development tendencies and presumed economic constraints, but with the concrete composition of economic elites: After analyzing the 100 largest corporations in Germany, France, Great Britain and the

United States, Hartmann (2008:254) comes to the unequivocal conclusion that one cannot speak of the emergence of a transnational elite or a "global capitalist class" at all - or at least not yet. In Hartmann's opinion, cross-border internal mobility is clearly too low for this: "If, even in these traditionally closely interconnected countries and among this very small group of top managers, less than one tenth of the 100 largest companies are headed by foreigners who, as a rule, also come from the same cultural and linguistic area, and only one in five domestic company heads has any foreign experience at all, almost 50% of which, moreover, only covers a maximum of two years, then this is by no means sufficient for the formation of a transnational class" (Hartmann 2008:255).

Be that as it may, there is no doubt that the differentiation of social strata and classes will also intensify on a global level in the future.

3. Control Questions

1. Which three questions are at the center of economics?
2. What do distribution and allocation mean in economics?
3. What is needed to guarantee the security of supply?
4. Which of the factors of production has become more and more important in terms of price in the world?
5. Has income inequality increased or decreased over the last 200 years?
6. Why are economic measures of quality of life only of limited value?
7. Explain the Gini coefficient.
8. What is absolute and relative poverty?
9. What does "multiple deprivation" mean?
10. Which seven areas of life are important for quality of life?
11. What are the arguments for and against the emergence of a transnational upper class?

4. Links

Allokation – Distribution – Stabilisierung
Stabilisierungspolitik im Konflikt zwischen allokativer Verantwortung und distributiven Zwängen
Text von Prof. Dr. Jürgen Pätzold
http://www.juergen-paetzold.de/stabpol/Allokation%20Distribution%20und%20Stabilisierung%20EF.html

Definition: Gini-Koeffizient
Gabler Wirtschaftslexikon
http://wirtschaftslexikon.gabler.de/Definition/gini-koeffizient.html

Armut und soziale Ausgrenzung
Gini-Koeffizient der Äquivalenz-Einkommen
http://www.amtliche-sozialberichterstattung.de/A3gini-koeffizient.html

Einkommensverteilung in der Schweiz
https://www.bfs.admin.ch/bfs/de/home/statistiken/wirtschaftliche-soziale-situation-bevoelkerung/wohlbefinden-armut/ungleichheit-einkommensverteilung/einkommensverteilung.html

Vermögensverteilung in der Schweiz
http://www.wirtschaftslehre.ch/Wohlstand/wohlstand-6.htm

Asymmetrien in der Einkommens- und Vermögensverteilung und ihr Bezug zur Alterssicherung. Text von Dr. Jürgen Faik, Frankfurt/Main
http://vwl.faik.net/downloads/vortraege/1999-06-02_Wuerzburg.pdf

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