



---

# Vanderbilt University Department of Economics Working Papers 18-00007

## Let the rich flourish by sacrificing for the poor

Girish Jakhotiya  
*Jakhotiya & Associates*

### Abstract

Economic Globalization of last two decades has certainly accelerated and to some extent integrated agenda of economic growth of many countries. But it didn't benefit the poor considerably. Rather the gap between the rich and poor has widened worldwide. The reasons for this increasing gap are now well-known and have been accepted by most of us. This gap has also caused a serious upsurge in pseudo nationalism in many countries participating in the process of globalization. Populism has become the other name for political activism in many democratic countries. We all know that populism doesn't sustainably serve the purpose of uplifting the poor. It has been an established fact that the rich benefitted disproportionately higher from economic globalization, causing an undue hardship for the poor. Ironically the rich exploited the process of globalization with equal degree of ruthlessness in both, capitalist and communist economies. My paper rings the alarming bells for all the politicians and economic policymakers to take this phenomenon of the widened gap seriously. This paper presents a reasonable model of sacrifice to be practiced by the rich to help the poor and reduce the gap. This model named Generic Algorithm of Growth (GAG), presents and proves a reality of the rich sacrificing for the poor and benefiting all. In other words, GAG rightly illustrates that the rich can benefit higher in the long-run by sacrificing a part of their income for the poor in the short-run

---

**Citation:** Girish Jakhotiya, (2018) "Let the rich flourish by sacrificing for the poor", *Vanderbilt University Department of Economics Working Papers*, VUECON-18-00007.

**Contact:** Girish Jakhotiya - [girishjakhotiya@gmail.com](mailto:girishjakhotiya@gmail.com)

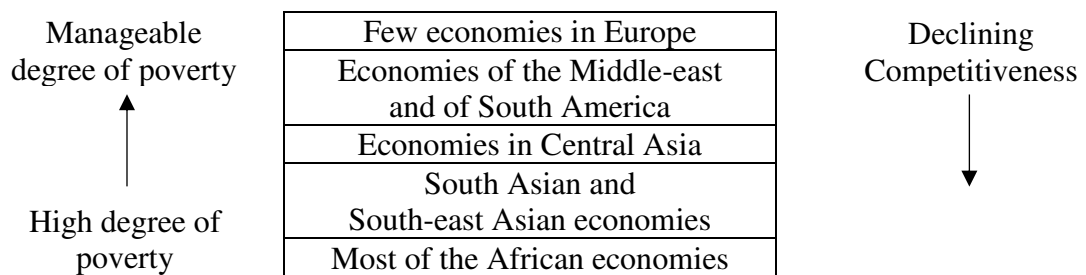
**Submitted:** August 06, 2018. **Published:** August 24, 2018.

**URL:** <http://www.accessecon.com/Pubs/VUECON/VUECON-18-00007.pdf>

## 1. Poverty & development in poor countries and reasons for their failure

The poor nations from the third world joined the WTO with an utmost desire of eradicating poverty through an accelerated economic activism. They saw a great opportunity in the global design of economic cooperation, of multilevel and multidimensional scope to apply their intrinsic potentials to uplift the poor. If you were to compare the poor countries of the 21<sup>st</sup> century to the early times of the 20<sup>th</sup> century, yes then in the absolute terms these poor countries are developed. However, the fact of the matter is that the poor countries have lagged behind the developed nations in several or most parameters of comparison – like in overall competitiveness, productive infrastructure, population control, quality of governance, availability of primary resources and economic equilibrium.

If we set out to gauge the status of the poor countries continent-wise, the following table would be indicative of a broad observation:



*Figure 1*

The emerging economies of BRICS have not been successful in eradicating poverty in last three decades. This inability or failure is of prime concern since these are the economies that are expected to be the role models for the poorer countries. Nevertheless, poverty in the BRICS economies continues and therefore threatens economic development which necessarily must be inclusive for then alone can it ensure sustainable growth. **The reasons for the failure of these countries are complex and becoming more multifaceted with every new failure. Let us look at the main reasons:**

### 1.1. High Level of Corruption

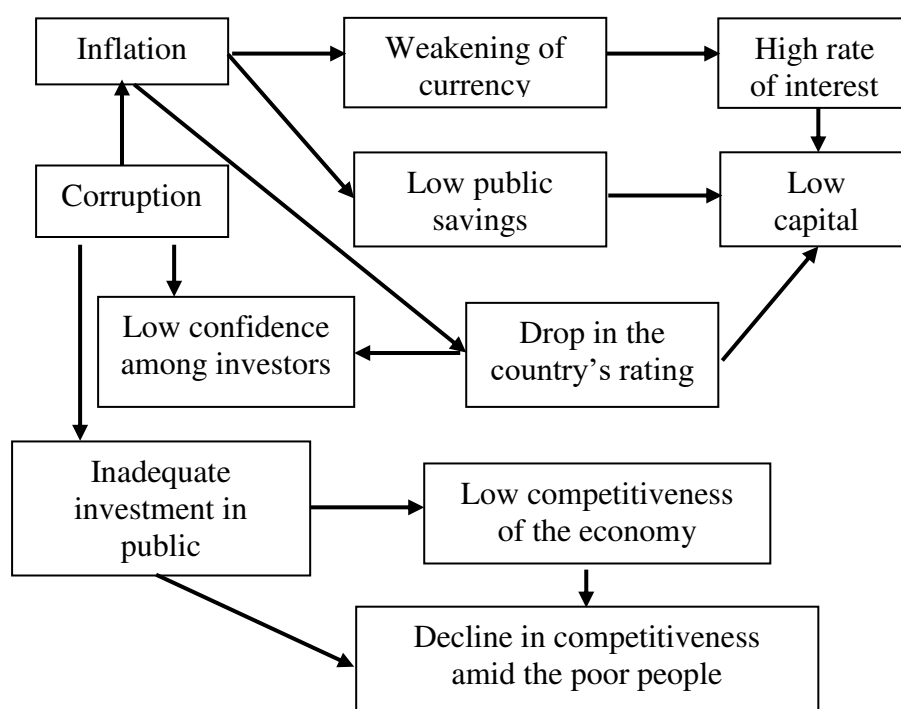
All members of BRICS are currently suffering from wide-spread corruption. In the past two decades, the various government machineries of the BRICS members have been rampantly championing corruption. There is complete misuse of power by the fraudulent crony capitalists and their support class. Then of course corruption causes huge leakages in the public revenue system which in turn prompts and promotes inflation as too much black money actively floods the market. We are not merely talking of the economic corruption; the picture magnifies and snowballs into some version of ideological, social and political corruption. If I must tabularise the degrees and types of corruption among the BRICS countries you may find it hereunder:

<i>Table 1</i>					
Type of Corruption	BRICS Countries				
	Brazil	Russia	India	China	South Africa
Economic Financial	Very High	Very High	Very High	High	High

Political	Very High	Very High	High	Medium	Medium
Social	Medium	High	Medium	High	High
Administrative	Medium	High	Very High	Medium	Medium
Cultural	Low	Medium	High	Low	Medium
Ideological	Medium	High	High	Very High	Medium

Presently, India is working to eradicate financial and administrative corruption. But political and cultural corruption levels are on the rise. China's social and ideological corruption has awoken its government with quite a warning. Russia too is badly off on account of its political corruption. Brazil's political corruption has reached a new high, causing financial corruption to massively shoot up. All this could be brought under control in these different countries only when they individually and severally arrive at establishing economic equality.

Corruption in BRICS countries has resulted in iniquities as observed in the table below:



*Figure 2*

The incremental growth achieved by these countries is crushed and overwhelmed by a higher rate of incremental corruption. Therefore, the divide between the rich and the poor is on a march.

### 1.2 Blind following of the economic modelling propagated by the rich countries

The BRICS members, with the exception of China to some extent, blindly followed most of the faulty economic models, programs and parameters used by the rich countries. Of course, the picture is slightly altered, with the rich countries seeing their assets get diluted for no fault of others but their own errors, mistakes and if I should say, wrongdoings. However, this blind following has adversely impacted the BRICS economies and I shall enumerate the facts:

- Random, as opposed to strategic reduction in subsidies and social programs, only impacts negatively all the efforts of improving the socio-economic conditions of the poor.
- Direct and indirect advantages are presented to the big corporations in anticipation of some social contribution from those corporations as they grow exponentially having benefitted from certain fiscal advantages offered by the government. However, not much can be said if you were to observe the ratio of the Social Contribution of these mega houses, forever diminishing, to the Fiscal Advantages they have obtained which only gallop.
- Negligence towards strengthening the small and medium size enterprises that contribute more to the economy per basic monetary unit of resources consumed.
- Increased Non-Productive Assets (NPAs) of the public-sector banks on account of political shelter given to the crony capitalists and certain inefficient business families.
- Pushing the economy toward excessive consumption rather than using positive savings for economic growth.
- Huge concentration of wealth in the hands of just a few industrialists as a result of excessive entrepreneurial freedom accorded
- Negligence of agriculture and related programs causing severe inflation in the food grain prices
- Overdose of product and process patents' use causing unequal competition and increase in costs of inputs
- Serious reduction in accountability of governments prompting market dominance controlled and exploited by corrupt elements

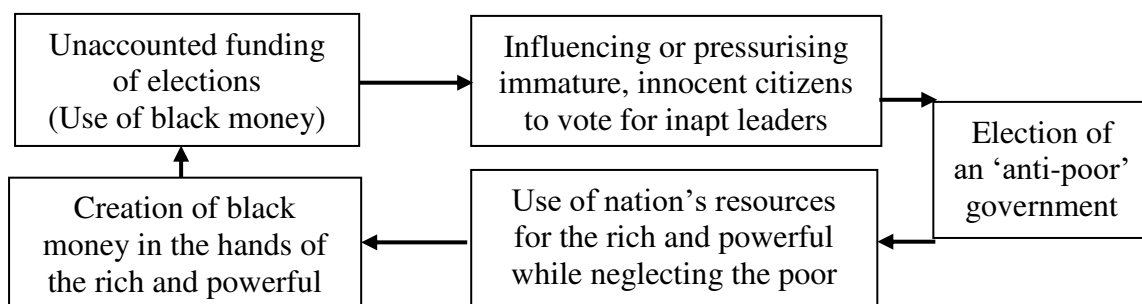
### 1.3 Inefficient and inadequate governance

The biggest challenge for the BRICS countries is the quality of governance. Even today, in the second decade of the 21<sup>st</sup> century, India stands at a pretty low reckoning for conducting business at ease. It scores lower than even some of the underdeveloped countries. India's laws of governance though comprehensive are skewed in execution and extravagantly time consuming. India's government is inefficient, lacking what it takes to serve its own citizens, leave out the confidence and expectation from foreign nations. The quality of governance in the BRICS countries has to improve by leaps and bounds and in a structured definite way. China's governance albeit business friendly is not very people oriented. Hence, governance related issues are now steadily surfacing provoking attention. Political climate in Brazil and Russia has deteriorated further. The governments in these two countries are failing on both the fronts – policy and process. South Africa's issue is the capability of its people or the lack of it, to demand better quality of governance. This is probably due to the fact that for a very long time, South Africa was isolated from global activities, developments and achievements. People's maturity levels in India too, seems to be a critical issue. Democracy in India is not truly capable of addressing its poor by the fact that they lack maturity. Sadly, it seems to serve almost all political parties in India because then the masses can be driven, excited and swayed when they lack maturity in addition to poor socio-economic-political education. I can highlight certain pointers here:

- Draining of government revenue system
- Almost 50% of the budget for social programs of poverty eradication get illicitly and criminally consumed by the crooked fraudulent elements in the system and society.
- Inexplicable delays in decision making processes
- Lack of vision and foresight in programs for uplifting the poor

- Bad and inadequate primary infrastructure including water distribution, hospitals, roads, fuel distribution and housing among other things
- Derisory and poor quality of education in the government owned schools and colleges
- Political apathy and complete lack of indifference to book the culprits who indulge in hoarding and black marketing which fuels inflation
- Inefficient supervision of public sector enterprises causing wastage of national resources
- Excessive use of privatisation and market-dominated policies which ultimately works against the poor
- Problem of law and order resulting in social riots, damaging property and livelihood of the poor
- Unproductive and excessive hire or engagement of employees in government departments
- Under-utilisation of resources and other assets owned by the government
- Absence of clarity in government's approach towards right mix of development and subsidies, incentives and productivity etc.
- Poor representation of the country on the global forums like WTO, IMF and others ultimately resulting in hardship for the poor
- Lack of consistency in population control and related programs
- When there is a change in government, scant thought is cast for the poor and the continuity of projects and action meant and designed for them
- Zero level of any futuristic town planning and rampant illegal construction adversely adds to the ever-increasing pressure on cities and mega cities rendering the task unmanageable.
- Hostile behaviour and lack of professionalism from people in power on various fronts such as industry, agriculture or service sector puts the government on a back foot, as it increasingly loses its credibility.
- Reluctance to use appropriate talent available from outside the government and the lack of scope for good bureaucrats to perform better within the government framework goes a long way to harm the cause of efficient governance.
- Overall suppression of the poor by the rich since the government conveniently stays equivocal not wanting to intervene conclusively and judiciously.

Poor or deteriorated governance necessarily implies either none or impaired or lopsided economic reforms that cater only to the powerful and the rich. In the world of today elections / election campaigns are truly fought on a giant financial level. So the big powerhouses and sponsors do know exactly how to curry favours and wield mega influences from the pathologically corrupt politicians infesting the entire government machinery, thus promoting the vicious cycle of continuous corruption. The following table is indicative of what I have conveyed here:



*Figure 3*

## 2. Faulty Definition of Poverty: An agenda of the rich or a conceptual blunder of the economists?

A lot of effort has been taken to use the concept of Purchasing Power Parity (PPP) in order to define poverty worldwide. Unfortunately, definitions on poverty are based taking into consideration only one criterion -- cost of survival. That implies that the poor should survive and remain as poor. If you go by this definition there would be no hope for the poor to come out of the vicious cycle of poverty. Hence the measurement of poverty using PPP method just isn't enough. The definition of poverty or the corresponding level of income, should incorporate the following three basic components: -

1. Cost of survival or the bare cost of living
2. Cost of skill development in other words, cost of becoming employable
3. Reasonable savings to be able to counter any future uncertainty

As I have stated earlier, currently the definition of poverty integrates only the first feature.

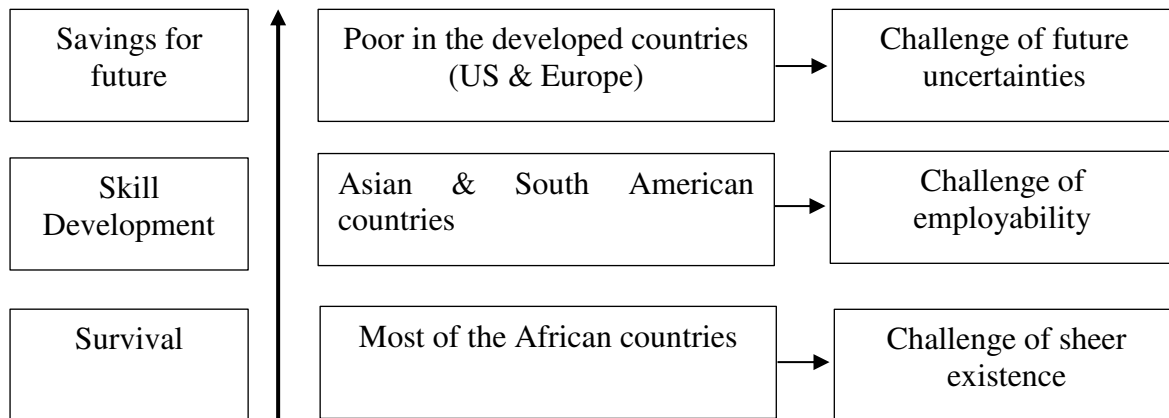
### 2.1 An Indian illustration based on the data of 2016

<b>Particulars</b>	<b>₹</b>	<b>\$</b>
Cost of survival per person per day	75.00	1.250
+ Cost of skill development per person per day (averaged out)	5.00	0.100
+ Reasonable saving for any future uncertainty per person per day (taken @ 10% of cost of survival)	7.50	0.125
<b>Total expected income at poverty level, per person per day</b>	<b>87.50</b>	<b>1.475</b>

I shall expand on this Indian example in the table. If we are to define this typical Indian family by using the western concept of family – say mother + father + 2 children -- then the calculation for the family is ₹87.50 x 4 persons x 30 days = ₹10500.00 per month. If we are to define this typical Indian family according to the Indian concept of family then we would additionally have 2 extra persons the paternal grandmother and grandfather but without taking the second factor into consideration, cost of skill, where the family would comprise of – say mother + father + 2 children + 2 grandparents -- then the calculation for the family becomes (₹87.50 x 4 persons x 30 days) + (₹82.50 x 2 persons x 30 days) = ₹15450.00 per month. All that put aside – the family size and the monthly calculation apart, if we are to consider exclusively the 1<sup>st</sup> factor, the cost of survival per person per day as ₹ 75 I would say 50% of the poor Indians live even below this line. Half the poor survive at ₹ 40 per person per day and at the same rate as in the table above this very poor Indian survives at \$ 0.66 per day or \$ 80.00 per month for a family of four. What is the plight of this person, what is his hope and can he ever aspire to overcome the hurdle? What with nearly 90% of the poor workforce working in unorganised sector without a job guarantee – he is a virtual slave at the mercy of the employer.

### 2.2 The 3 S's definition of poverty

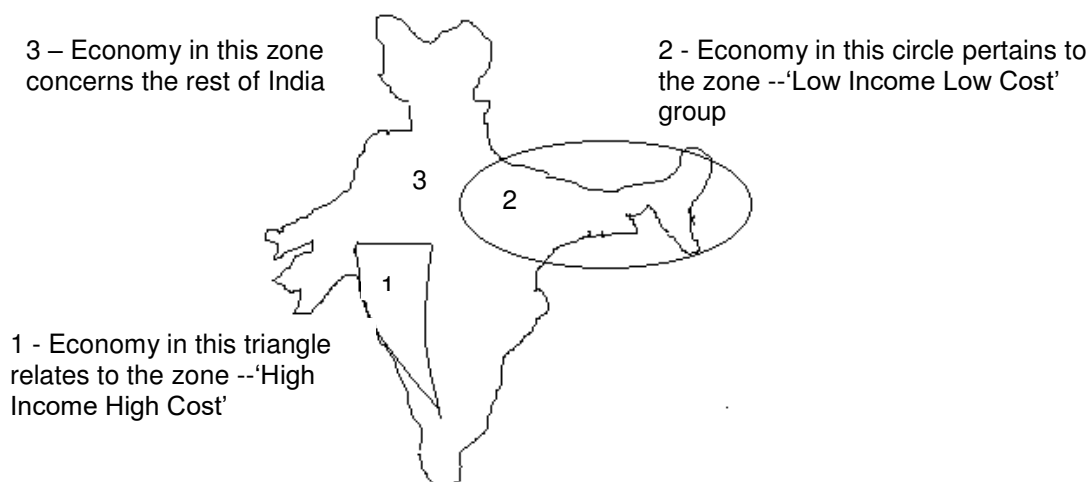
The condition of most of the African countries is appalling when we look at the state of poverty there. Poverty is viewed and construed differently in different countries: -



**Figure 4**

The 3 S's definition – say 'Survival, Skill and Savings' can alone rescue a poor from the vicious cycle of poverty and put him in a righteous cycle of prosperity. 90% of people from the rich countries too are facing the problem of irrational and unfounded definition of the word 'poverty'. Those, previously categorised as middle-class citizens in US, have rapidly come down in status as lower-middle class citizens during the last decade. In most cases the loss of job is to be attributed to the lack of possibility of acquiring newer or better skills. Most American corporations are scarcely concerned about this growing unemployment in the US because they adhere to the Darwinian theory of 'Survival of the Fittest'. This very theory has caused many an economy from the Euro zone to crumble. Germany is reluctant to bail-out other sick economies like Italy, Greece and Portugal. The sick economies will have to help themselves.

The concept of poverty in the thickly populated and geographically diverse countries like China and India would require to be viewed carefully. In China for instance, when a person hops from his village to a town and then to a metro, his level of poverty reduces on account of disproportionately higher wages at every step. It may be useful to note that poverty in some of the Chinese villages is as abject as that in some of the African countries. The level of poverty in India too varies from one part of the country to another, mainly due to the differences in the cost of living. The following illustration is indicative of 'regionalized' state of Indian economy:



**Figure 5**

So, India is one country with three economies. Quite understandably, the quantitative estimate, or the Rupee value definition of poverty would differ in these three economic zones. At a rough estimate, a poor in the triangle earns ₹ 8,000 as his monthly salary. The same person in the circle earns ₹ 4,000 and the one in the rest of India gets ₹ 6,000. (This was quite the picture in West and East Germany, 25 years ago. True of today as well, where there persists a marginal difference) As for India, there has been a very visible confusion amid the various departments and economic institutions run by the government for defining poverty per se.

Today the definition of poverty, as indicated by the developed countries, or say their economists, seemingly does not hold good. These nations lost their global competitiveness by neglecting the all-important-aspect of ‘employee competencies’. Now suddenly these nations are faced with the fact that their middle-class citizens have, in the last two decades, tumbled down to the level of poverty. If only they would then have proscribed their definition of poverty and instead worked on new competencies and savings for the future, their situation today could have evolved differently. Germany, through its ‘dual education system’ managed to address this critical issue of new or better competencies. You can see the result today where the German economy is performing reasonably well in the troubled Euro zone.

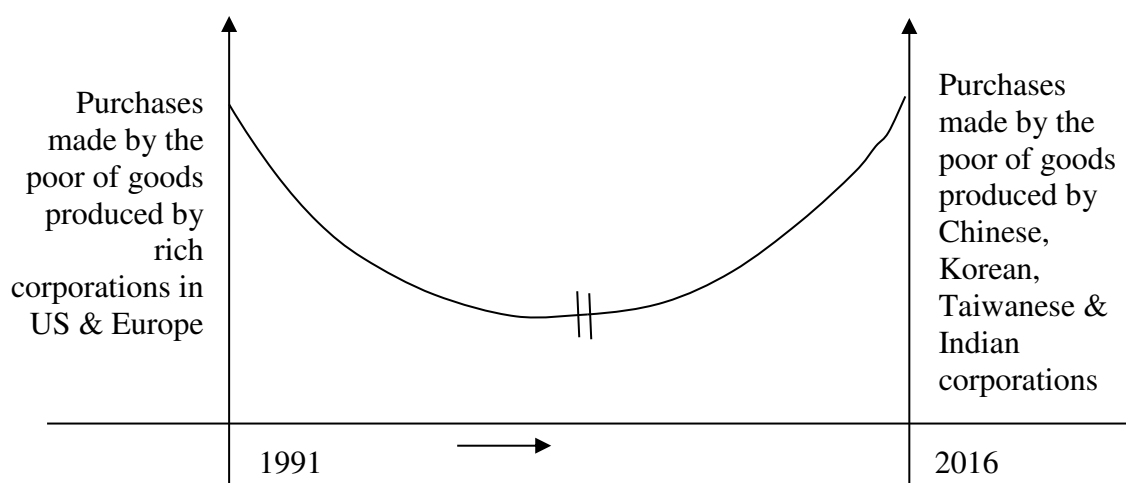
The rich in every country, in general, preferred the definition of poverty to be linked with the cost of survival. With that on mind, the rich and their corporations influenced their respective governments through their intermediaries, the so-called intellectuals, in order to ensure that their so-to-say ‘approved’ definition of poverty remained in use in perpetuity. This was done for following important reasons:

- That the poor be constantly engaged in the battle for earning for their day-to-day survival such that they can’t get organized to rebel.
- Competency development could possibly turn the poor into an ambitious lot. Such ambitions could then probably become political and entrepreneurial in nature.
- The rich wished to have this poor class to be able to subjugate them and use their services for a meagre wage. That would further the cause of the rich, make them richer.
- For as long as the poor could not save for the future, they would remain dependent on whatever the daily opportunity presented. What was the implication? They always worked under constant uncertainty with no time at hand to envisage better prospects for tomorrow.
- That the poor should not have enough purchasing power, such that the rich can consume and continue to consume all-natural resources excessively.
- That the poor do not educate themselves and stay ignorant and starved of information which could improve their lot such that they may continue to be serviceable uninformed and eternally dependant on the rich, at their mercy.

### **3. The dilemma of the rich – poor relationship**

There is an obvious economic truth -- that the rich cannot become richer or even remain rich if the poor were not to buy their products. This fundamental truth, this underlying reality, was omitted by the rich especially of US and Europe. Let us look at this general phenomenon as follows:





**Figure 6**

Right from the first decade of the 21<sup>st</sup> century, the rich American and European corporations started losing out to their rivals. This was a direct result of the globalization process initiated by the WTO. As mentioned earlier, the rich countries could not foresee or visualise the end result of globalization. They were under the impression that globalization would open up the markets of the poor countries to them without any competition. This impression was proved wrong by the end of first decade of the 21<sup>st</sup> century.

As the rich of the western world started facing declining Rate of Return in their own home countries, they shifted their capital to the stock and bond markets of the emerging economies. This foreign capital brought cheer to the Asian markets. This boom was mostly exploited by the rich from the Asian countries. The bubble of November 2014 in the Indian stock markets was a result of the same euphoria created by the rich and propagated by the media. This boom never benefitted the poor directly or indirectly as it was not for any productive reason. This boom was meant for the five percent rich investors. Wisely, the then governor of the ‘Reserve Bank of India’ whose comprehension on the matter was irreproachable didn’t consider it reason enough for reducing the interest rates (in November 2014).

Growing poverty in the Euro-zone was more a result of the mistakes, frauds and ill-performances of the member countries rather than any unavoidable calamity. A few of them are enumerated here:

- Excessive consumerism paving way to a situation of negative savings
- Corruption at government level, swallowing up loads of public money
- Unproductive use of infrastructure in both, private and public sectors
- Excessive borrowing by the governments leading to serious fiscal indiscipline
- Grave decline in the manufacturing sector as a result of various factors like high cost of funds, decline in exports, and low labour productivity.
- Governments (with the exception of Germany) did not support small and medium enterprises
- Misplaced subsidies offered to the rich farmers
- Overall indiscipline in the intra Euro-zone trade leading to severe imbalances

- Absence of vision and inadequate spending on competence building and technical education
- Imports of cheaper goods from countries like China impacted the local manufacturers badly
- Inefficient management of natural resources
- Lack of constructive cooperation among the members of Euro-zone

Globalization definitely impacted the Euro-zone. The members failed to improve their competitiveness, they almost aborted chances instead of exploiting opportunities and facing challenges put forth by globalization. The members of Euro-zone remained reclusive and far from dynamic. They wished to continue with old legacies which the new global market rejected and refused to evolve with contemporary vision.

#### 4. Reasonable and time-bound sacrifice by the rich people

The rich from the poor or developing countries ruthlessly exploited the opportunities created by economic globalization by manipulating the local governance and business systems. As a result, the gap between the rich and poor has seriously widened during last two decades of globalization. Globalisation has accelerated the process of rent seeking in the name of creative and aggressive entrepreneurship. The gap would ultimately lead to a social explosion, which may impact the investments made by the rich. The rich should attempt to reduce this gap to establish socio-economic equilibrium in their own interest. It is a proven fact that people at the bottom of the pyramid ultimately decide long-term sustenance of any economy. Hence, the rich should show voluntary readiness to sacrifice systematically for the poor. This sacrifice should ultimately benefit the rich in long-run on a higher and sustainable scale. Therefore, let us discuss about (a) the quantum of sacrifice the rich should make, (2) its impact on the earnings of the poor and their savings, improvement in their overall capacity to spend, and (3) ultimate advantage to the rich as a result of market expansion over a period of time. We should illustrate this sacrifice by the rich and its effect along with some reasonable strategies (or approaches) and their numerical analysis. This analysis would be based on a few reasonable assumptions.

##### 4.1 ‘Generic Algorithm of Growth’ (GAG) Model

This model is generic because it is based on a few fundamental socio-economic variables. It is an algorithm because it is a logical and mathematical explanation of the connection between the sacrifice by a few rich and growth of all the poor. Here the growth refers to economic progress primarily, followed by social consolidation. If the poor people enter the process of ‘inclusive growth’, the global society would consolidate fast. This consolidation should expand the global economy both horizontally and vertically. Social consolidation should also promote economic networking, which is very essential for the collective efforts of wealth creation. To emphasise the need of sacrifice by the rich people, I take India as a case study as I am more familiar with the India related ‘earning data’. Following are the pragmatically edited data related to India’s economy as a miniature illustration: -

<b>Category of Indian people by their level of income</b>	<b>Number of families per category (a)</b>	<b>Average monthly income per family (Rs.) (b)</b>	<b>Saving as % of income</b>	<b>Total income p.a. (Rs. Cr.) (a<b>x</b>b<b>x</b>12)</b>
Rich	5	5,40,000	60%	3.24
Higher Middle Class	10	1,80,000	30%	2.16

Middle Class	25	60,000	10%	1.80
Poor	60	20,000	Nil	1.44
<b>Total</b>				<b>8.64</b>

- If the rich agree to sacrifice, the salary of a poor can be increased from Rs.20,000 per month to Rs.30,000 per month. Out of the increase of Rs.10,000, he would spend Rs.4,000 to improve his living standard. This should be 20% increase in his spending. He should save Rs.6,000 per month.
- Total saving by all the poor should be Rs.43,20,000 (Rs.6,000 p.m. X 12 months x 60 families). This total saving by the poor is the capital formation p.a. Hence return on this capital @ 10% p.a. should be Rs.4,32,000.
- Let us assume conservatively that the poor may spend 50% of this amount of return i.e. Rs.2,16,000 p.a. Hence the total additional spending by the poor (compared to what they spend now) would be Rs.30,96,000 [(Rs.4,000 p.m. x 12 months x 60 families = Rs.28,80,000) + Rs.2,16,000]
- Let us now look at the sacrifice expected from the rich = Rs.72,00,000 p.a. [Rs.10,000 p.m. (extra salary of a poor) x 12 months x 60 families]
- We assume an average profitability (based on the retail price index of the year 2016) of 20% p.a. is earned by the rich. If the poor spend additional Rs.30,96,000 p.a., the rich shall earn @ 20% on this sum = Rs.6,19,200. Hence net sacrifice by the rich should be Rs.65,80,000 [(Gross sacrifice Rs.72,00,000) – (Profit made by the rich on the spending done by the poor Rs.6,19,200)]. Present total income of the rich p.a. is Rs.3,24,00,000 hence their ‘% sacrifice’ should be 20% approximately.
- Let us now look at the impact of additional spending on the productivity of the poor. His present competence and stamina should improve by 5% p.a. This increase in the productivity of the poor should directly increase the GDP of the economy by 5% p.a.
- We conservatively assume that the GDP of the economy should be ten times that of the total income of the people in the economy i.e. Rs.86.4 crores (Rs.8.64 crores x 10). 5% increase in the GDP = Rs.4.32 crores. Hence additional profit or income for the rich = 20% on Rs.4.32 crores = Rs.86.4 lakhs. This additional income for the rich should offset their net sacrifice year after year as follows:

<b>Year</b>	<b>Sacrifice by the rich (Rs. Lakhs) (a)</b>	<b>Additional income for the rich (Rs. Lakhs) (b)</b>	<b>Balance or net amount of sacrifice (Rs. Lakhs) (a-b)</b>
1	72.00	6.19	65.81
2	72.00 + 65.81 ≈ 138	(6.19 + 86.4) ≈ 93	45
3	72 + 45 = 117	93	24
4	72 + 24 = 96	93	3
5	72 + 3 = 75	93	(18) i.e. gain for the rich

- Hence the important conclusion: “The rich gain much more from the increase in the GDP (on account of increase in the productivity, spending, and savings of the poor) than the sacrifice they make in order to increase the income of the poor.”
- Important assumptions: -

- At an average annual rate of inflation of 5%, the income of all shall increase. But the absolute increase in income for the rich would be much more than for the poor. Hence the sacrifice of the rich would get compensated early.
- Productivity of the poor can improve in one year.
- The poor are 60% of the nation's population hence they influence the GDP. The increase in their productivity can increase the GDP directly.
- The rich, being the powerful rent-seekers, easily earn 20% profit.
- The GDP of the country is assumed to be ten times the total income of the people.
- 20% extra spending (out of the increased salary) and 50% of the extra income also to be spent by the poor, shall improve their annual productivity by 5%.

**Formulation of the Generic Algorithm of Growth (GAG) may be done as follows:**

IR – Income of Rich

IP – Income of Poor

GR – Growth for Rich

GP – Growth for Poor

EGDP – Extra Gross Domestic Product

SR – Sacrifice by Rich

YN – Year Number

Now, Growth in the monthly income of the poor = Sacrifice by the rich per month

This illustration has proved the following hypothesis:

***SR < IR. EGDP***

Sacrifice by the rich p.a. < Income of the rich from the extra GDP

Hence, we can further generalise:

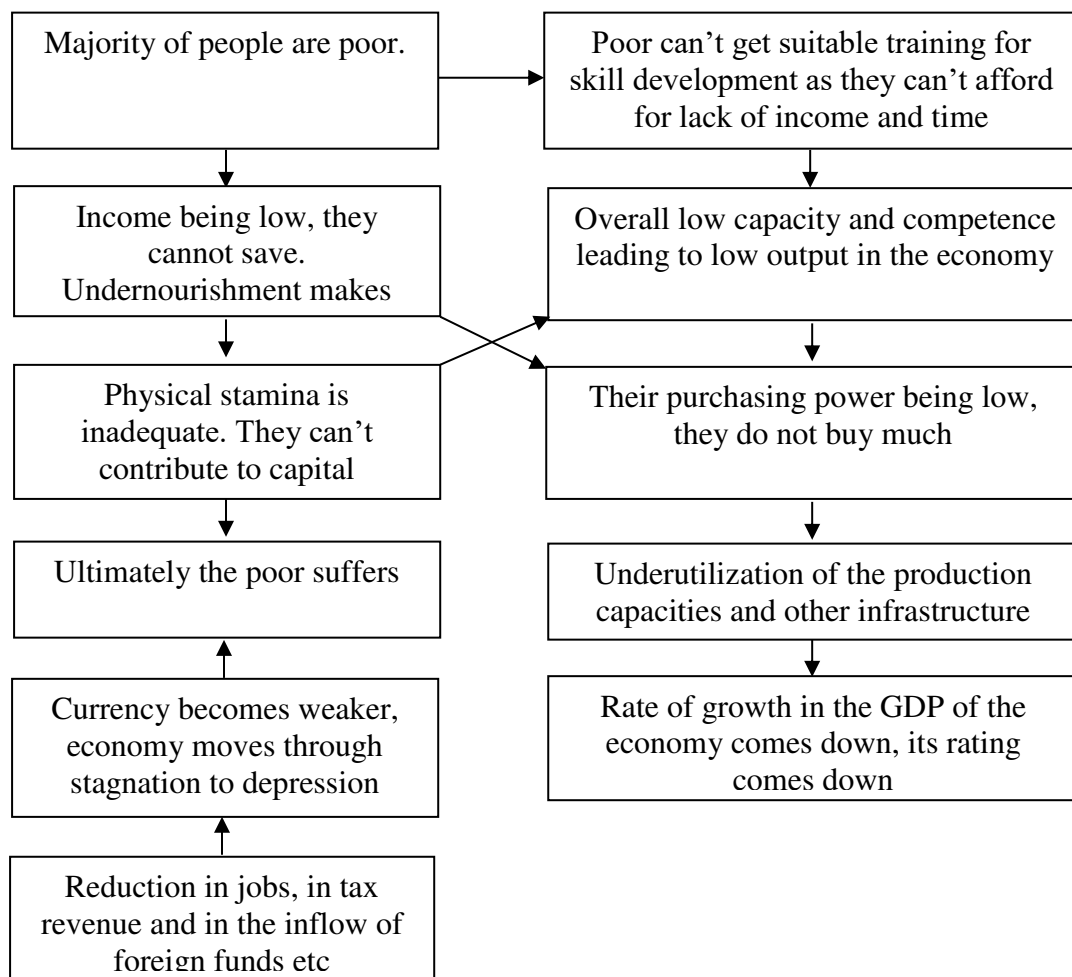
***Rate of SR p.a. < Rate of GR p.a.***

4.2 Why should the rich people sacrifice (or how the GAG should be made effective)?

Worldwide, we find that most of the rich people are not so ready to sacrifice. Rather, they keep expanding their wealth by using all means, and advocate such acts in the name of 'endless ambition for wealth maximisation'. A small percentage of them donate maximum possible wealth for the welfare of the poor. A good number of the rich regularly make social or religious donations as a very small percentage of their wealth. This too is done keeping in mind the tax advantage, social reputation, political advantage, or an expected blessing from the Almighty (if He exists). There are quite a few sensible reasons as to why rich should sacrifice (or donate) a part of their wealth for the welfare of the poor. These reasons are as follows:

1. In the medium to long run, the rich would ultimately benefit. Their sacrifice would get amply compensated and then accelerate their earning rate. This should be possible because the economy expands with the increased participation of the poor. As the gap between the rich and poor reduces, the rich start enjoying a supportive social environment to accelerate their business earnings. This aspect we have discussed under the GAG above.
2. If the rich do not sacrifice enough and regularly, the poor will become poorer. People, without any hope to come out of poverty, start agitating or rebelling against the rich. Such an agitation/rebellion becomes violent and destructive. There are many examples of such rebellions. The violent or extremist organizations flourish by using the restlessness of the poor. Islamic Brotherhood, Boko Haram, Naxalite activists, and communist parties (with their various names and structures) exploit the poor and demolish the democratic system and institutions.
3. The helpless and frustrated poor may unite without having a mature leader. This frustration can come out in any form, damaging or destroying the wealth of the rich. The frustration can also damage the public governance.

4. The honest entrepreneurs, who must have created wealth legally and ethically, may also have to face the agitation by the poor. Many minority communities, which excel and create wealth, do face the violent agitation by the majority. Sons of the soil, if they are excessively poor, target the migrants. Local politicians and bureaucrats, to save their skin, instigate the sons of the soil against the migrants.
5. In a country like India, which suffers from the serious problem of caste-based politics, the rich may be classified by their castes. Such caste-based division can lead to a serious problem of social divide. India was invaded and ruled by the outsiders as a result of social divide. The unity of the Euro Zone is also in danger as a result of hatred against a few rich groups and rich economies.
6. The long-term impact of unchecked poverty can be disastrous for the entire economy of a nation. Poor people get stuck in a vicious cycle, which puts the economy in a long-lived depression. This may be explained as follows: -



*Figure 7*

We have been observing that the rich from countries like Japan, France, Britain, Indonesia, Saudi Arabia, South Korea etc. are investing in the economies where they get a reasonable rate of return. This has created a serious problem of ‘flight of capital’ from these countries.

7. As a matter of moral, social, national, and spiritual reasonableness, the rich should (and they can) sacrifice a small portion of their income for the uplift of the poor. We find

that a few industrialists have been donating a major portion of their wealth for the betterment of the third world.

### 4.3 How the rich people can sacrifice?

The rich people can sacrifice directly or indirectly, individually or collectively. A few workable methods of such sacrifice may be mentioned here:

1. Higher amount of income tax, wealth tax, cess on tax
2. Supporting the small enterprises by providing them interest free funds
3. Supporting the process of job creation, competency building for the poor
4. Donating for the construction of various components of infrastructure, e.g. education, irrigation, housing, transportation, medical facilities etc.
5. Supplying various equipment, machines, seeds, fertilizers etc. to the needy farmers
6. Rebuilding the public institutions
7. Donating to the pension funds, social security funds
8. Constructing different types of institutions and centres for research and development
9. Spending on the new civil societies of the poor, migrants, minorities etc.
10. Donating to the public institutions, which nurture and safeguard the culture and ethos of the country

We can make the rich sacrifice only through following three ways which have their own consequences: -

<b>1. Compulsion</b>	<b>2. Self-actualization</b>	<b>3. Recognition &amp; Reward</b>
<ul style="list-style-type: none"> <li>➤ Reluctance</li> <li>➤ Manipulation</li> <li>➤ Flight of capital &amp; business</li> <li>➤ Reduction in entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>➤ Smooth spending on poor</li> <li>➤ Win-win situation for all stakeholders</li> <li>➤ Better society &amp; stronger nation</li> <li>➤ Poor would respect the rich</li> </ul>	<ul style="list-style-type: none"> <li>➤ Thirsty for reward</li> <li>➤ Manipulation</li> <li>➤ Corruption in the system</li> <li>➤ Limited reward leading to limited performance</li> </ul>

Of course, a hugely populated but democratic country like India will have to use all the three ways to make the rich sacrifice. We can visualise a broad picture of how different countries would make their rich sacrifice for the uplift of the poor based on their culture, maturity, quality of governance, old legacies, complexity of socio-economic factors, political structure, number of very rich and very poor people, fiscal policies, equilibrium of the roles of public and private sector enterprises, wage structure, and labour laws etc.

<b>Country</b>	<b>Ways to make the rich sacrifice</b>		
	<b>Compulsion</b>	<b>Self-actualization</b>	<b>Recognition &amp; Reward</b>
USA	Rent-seekers will have to be compelled strictly	Very rare application	This would be mostly appropriate as Americans are of entrepreneurial nature
China	The communist dictators have to use this method mostly	No scope	Foreign companies would welcome this route

Russia	The communist dictators have to use this method mostly	No scope	Foreign companies would welcome this route
Britain	Mostly this route to be used as Britain has a mix of growing number of foreign entrepreneurs	Rare application	Old British firms would prefer this route
India	Corrupt business houses will have to be strictly compelled	A few reputed corporations are already doing this	A reasonable application of this route would be acceptable to most Indians
Indonesia	Corrupt business houses will have to be strictly compelled	Not happening	Most Indonesians would accept this
Saudi Arabia	Being a dictatorship, the government would follow this	No scope	Foreign corporations would prefer this
South Korea	Rent-seekers will have to be harshly compelled	This may be explored with a few reputed business houses	Most Koreans would welcome this
South Africa	Initially all business houses and rich will have to be compelled	May be possible after a decade	Foreign corporations would prefer this
Brazil	Corrupt families will have to be strictly compelled	A few reputed rich houses may accept this	New, mid & small size rich would prefer this
Japan	A few, mighty corrupt business houses will have to be compelled	Japanese rich should welcome this	Neo-rich may like this
Germany	This route for a few corrupt corporations	Most of the German rich should prefer this	Neo-rich Germans may like this
France	This route for a few corrupt corporations	A few reputed rich should accept this	Neo-rich may like this
Italy	The corrupt rich will have to be strictly compelled	Mostly no scope	Small and medium size rich would prefer this

Thus, the rich and the neo-rich should certainly sacrifice a little portion of their income for the uplift of the poor. It is the average rate of productivity, savings, sustainability and satisfaction of the masses, which eventually decides the rate of sustainable growth of any economy. Otherwise in most of the democratic countries, we have been recently observing the upsurge of pseudo nationalism and populism, which is defeating the fundamental principles of sustainable economic growth. The poor will have to be offered opportunities of capability development so that they get into the virtuous cycle of economic growth. The act of socio-economic balancing largely depends on short-term sacrifices to be made by the rich. As discussed earlier, such sacrifices are not only economically logical but are socially moral also.

## References

1. “The Great Divide! Unequal Societies and What We can Do about Them” by Prof. Joseph E. Stiglitz, published by W. W. Norton & Company, New York
2. “Capital in the Twenty-First Century” by Thomas Piketty, published by The Belknap Press of Harvard University Press
3. “Inequality Reexamined” by Prof. Amartya Sen, published by Harvard University Press
4. “The Wealth of Nations” by Prof. Adam Smith, published by William Strahan & Thomas Cadell
5. “Das Capital” (alternate title ‘Capital’) by Prof. Karl Marx, published by Verlag Von Otto Meisner