Knowledge Resource Inequality†

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Inequality is an effect of much concern for economists and policy makers. Inequality gives rise to poverty, a phenomenon still troubling the world economy, characterized by a gap wherein the standard deviation between the rich and the poor is too high. Various factors are attributed to the growing inequality, but one which is often overlooked is misallocation of knowledge resources. In this paper, we reinforce the concept of knowledge as being a capital resource. Following this, by using a simple model, we attempt to explain inequality borne out of its heterogeneous allocation and its discrete nature of distribution as a capital resource. The effect being that, lack of access to quality education for those who need it most creates a phenomenon which we call Knowledge Resource Inequality (KRI).

Introduction

Much criticism has been leveled against the existing economic order considering the worldwide prevalence of poverty and growing inequality. It need not be said how rational such criticisms really are, but nevertheless, they must be given some serious thought. There could possibly be multiple causes behind persisting inequality—but the one that we consider important and relevant for our research is—knowledge inequality. In modern economies, people are doomed if they lack education and cursed if they lack assets (Dasgupta and Ray, 1986). Education has previously been considered as human capital (Schultz, 1970), and hence, its unequal distribution in the society leads to problematic situation. We continue to defend the thesis following the works of Schultz (1970) that knowledge be considered as a form of ‘capital resource’ embedded in human capital essential for growth and development of modern economies (Chatterjee, 2020 and 2021). And further, we stress on the issue of misallocation of knowledge resources—as well as under-allocation of capital resources dedicated to the education sector being one of the reasons behind persisting inequality in income and wages. Besides, the role of corruption in public goods (resource) allocation cannot be undermined as well (Shleifer and Vishny, 1993), since most public goods allocation mechanisms in developing countries are not without corruption. Corruption diminishes the overall benefit and utility to be accrued from welfare allocation of public goods. Various social and political factors determine such allocation mechanisms (Banerjee and Somanathan, 2007). These proposals

† This research is a part of a series of investigation and analysis on the role of knowledge as a capital resource in social transformation and study on the emerging causes of global inequality.

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