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Inequality is on the rise. The gap between the pay of a FTSE 100 company's chief executive and that of one of their workers has widened. It is now 98 times more than the average for all UK full-time workers, according to Incomes Data Services.

Ss we live in a very unequal system, this actually understates the difference as the average wage is much higher than the median. To understand why, consider 9 homeless people in a room. They have an average income of zero, as is the median (i.e. the income of the fifth person). Add a multi-millionaire and the average income of the ten people is in the millions while the median remains unchanged.

The pay gap has more than doubled since 2000. Back then, the bosses pay was 39 times the average worker's earnings. Two years later it was 54 times as much as. Looking even further back, in 1979 it was slightly less than 10 times as much as the average worker on the shop floor.

Since 2000, their total earnings have more than doubled compared with a 28.6% rise for the average full-time worker (in

nominal rather than real terms). In the last year alone, the total pay package of a FTSE 100 chief surged by 43% from £2.01m to £2.98m in 2006 (basic salaries for CEOs of FTSE 350 companies rose 9.1%). This compared with the average wage deal of just 3% for the rest of us. Needless to say, there were no sermons on "inflation busting" pay rises by the politicians in office about the bosses pay rises (like profits, rent and interest, rising bosses pay never, ever causes inflation).

The gap between the pay of a FTSE 100 company's chief executive and that of one of their shopfloor workers has widened to its highest level this decade, figures showed today.

Chief executives earned on average 98 times more than the average for all UK full-time workers, Incomes Data Services said. Unions lambasted the pay surge as a sign of "greed not performance".

The pay gap has more than doubled since 2000 when the pay of the leaders of the UK's top companies was "just" 39 times the average worker's earnings.

The total pay package of a FTSE 100 chief surged by 43 per cent from £2.01m in 2005 to £2.98m in 2006. The compared with the average wage deal of just 3 per cent.

Since 2000, their total earnings have more than doubled compared with a 28.6 per cent rise for the average full-time worker.

Most of the total remuneration came as long-term incentives and share options. The basic salary of a CEO made up a quarter at £730,796. But basic salaries for CEOs of FTSE 350 companies rose 9.1 per cent.

However, IDS acknowledged that the scale of public and media disapproval was much less than in the mid 1990s, when the pay levels were much lower.

"Committees and their advisers have found that the best way to avoid any potential pitfalls is by making sure major shareholders are on board before any changes are put to a vote," it said.

The report showed a shift towards performance-related bonuses, which are easier to defend than simply rises in the basic salary.

While salaries of FTSE 100 directors have risen by about 50 per cent since 2000, annual bonuses were up more than 150 per cent. The median average salary — a measure less distorted by very high numbers at the top end — of FTSE 100 lead executives was £716,000.

Brendan Barber, general secretary of the TUC, said: "It is hard not to conclude that this further huge rise in executive pay is more about greed than performance. No one should now have any illusions that executive remuneration has been brought under control.

"Giving shareholders a vote on boardroom pay has failed to rein in excess, as remuneration committees have simply found new ways to keep pushing up pay."

So why has this happened? It is not due to performance, as capitalist economists assert. Executive enrichment has little, if anything, to do with improved performance by companies. According to research from the University of Manchester, between 1983 and 2002 the sales of the top 100 quoted companies on the stock exchange rose by an annual 2.7% as did pre-tax profits. The market valuation of the company rose by 18.2% while the pay of the chief executive rose by 26.2%. ("Financialisation and Strategy: Narrative and Numbers" by Julie Froud, Sukhdev Johal, Adam Leaver and Karel Williams).

To understand why way inequality has risen, we need to look at something mainstream economics ignores: power. The real reason for the explosion of top-level pay is due to their position in the company hierarchy and the weakening of working class organisation in the workplace. In other words, they give themselves big pay rises because they can and because workers are unable to fight to retain more of the wealth they produce. By monopolising power, the bosses can monopolise more of the wealth their wage slavers toil to produce.

There is an irony here. Usually defenders of capitalism contrast the joys of "individualism" with the evils of "collectivism" in which the individual is sub-merged into the group and is made to work for its benefit. Yet when it comes to capitalist industry, they stress the abilities of the people at the top of the company, the boss or the entrepreneur, and treat as unpeople those who do the actual work (and ignore the very real subordination of those lower down the hierarchy). The boss is considered the driving force and the organisations and people they govern are ignored, leading to the impression that the accomplishments of a firm are the personal triumphs of the capitalists, as though their subordinates are merely tools not unlike the machines on which they labour.

So if, as Chomsky correctly stresses, the capitalist firm is organised in a fascist way, this defence of profits and bosses pay is its ideology, its "Führerprinzip" (the German for "leader principle"). This ideology sees each organisation as a hierarchy of leaders, where every leader (Führer, in German) has absolute responsibility in his own area, demands absolute obedience from those below him and answers only to his superiors.

The ironic thing about this argument is that if it were true, then the economy would grind to a halt (ironically, much the same can be said of Engels's diatribe against anarchism "On Authority"). It exposes a distinct contradiction within capitalism. While the advocates of capitalism assert that the entrepreneur/boss is the only real producer of wealth in society, the fact is that the workforce industry is required to implement the decisions made by the bosses. Without this unacknowledged input, the boss would be impotent yet they monopolise the fruits of this input and reward themselves handsomely for so doing.

There is another irony. Fifty years ago, two neo-classical economics, Kelvin Lancaster and Richard Lipsey, showed in their paper "The General Theory of the Second Best" that movements towards "perfect competition" can have negative effects. This had one obvious implication, namely that neoclassical economics itself has shown that trade unions were essential to stop workers being exploited under capitalism. This is because the neoclassical model requires there to be a multitude of small firms and no unions. In the real world, most markets are dominated by a few big firms. Getting rid of unions in such a less than competitive market would result in the wage being less than the price for which the marginal worker's output can be sold, i.e. workers are exploited by capital in neoclassical terms (it does not consider interest, rent and profit as exploitation).

In other words, neoclassical economics has itself disproved its own case against trade unions. Not that you would know that from neoclassical economists, of course. In spite of knowing that, in their own terms, breaking union power while retaining big business would result in the exploitation of labour, neoclassical economists lead the attack on "union power" in the 1970s and 1980s. The subsequent explosion in inequality as wealth flooded upwards provided empirical confirmation of this analysis. The rising gap in pay is an aspect of this general process.

Strangely, though, most neoclassical economists are still as anti-union as ever — in spite of the logic of their own ideology and such trivial things like the empirical evidence. That the anti-union message is just what the bosses want to hear can just be marked up as yet another one of those strange co-incidences which the value-free science of economics is so prone to. Suffice to say, if the history of economics is any guide, then the economics profession will question neoclassical equilibrium theory when conclusions like this become better known in the general population.