

UUJEC Escalating Inequality Curriculum Summary

Introduction

Escalating economic inequality is rousing the public, yet a gridlocked Congress is doing nothing. Spontaneous outbreaks against injustice are becoming highly visible, from Occupy to Ferguson, as anger boils over. A number of locations have voted to raise the minimum wage, even some red states. Yet at the same time, powerful corporations and billionaires flood elections with cash to carve out more subsidies for themselves, while the middle class shrinks, and poverty and homelessness grow.

This Curriculum first explores the deep roots of this escalating inequality, then moves on to the many ways the powerful have rigged the system. Finally, it suggests an approach to selecting short and long-term actions we could do to unrig the system – to create a more egalitarian, sharing, and sustainable society.

Primitive Societies Are Egalitarian

How long has humanity been plagued by oppressive inequality and why? First off, anthropologists have found little inequality in hunter-gatherer societies and primitive nomadic and farming societies. These societies do not produce sufficient surplus to support chiefs and their warriors, let alone kings. In their villages and tribal groups of up to a few hundred they help each other out as needed, relying on a powerful sense of mutual obligation and solidarity instead of money. For inter-tribal trade or for major life events like a dowry or a death, compensation may use money substitutes such as cattle or pigs or special decorative items. But the ability of a single person or family to accumulate wealth of this sort is very limited, both physically and by mutual obligation.

Kingdoms and the Origin of Inequality

But as agricultural groups grew into wealthier communities of thousands of people, two things began to happen. First off the system of mutual obligation didn't work so well because no one could know all the others, even by reputation, so free loading and lack of accountability became more of a problem. Second these larger communities required a more organized defense against raiders. The communities found that they could get more "law and order" by supporting a chief and some warriors both to mediate disputes and for protection, which could become retaliation or aggression as well. But this also gave the chief the power to take more of the wealth for himself, eventually leading to the potential for oppressive inequality as chiefdoms evolved into kingdoms or proto-states. Religious authority was developed to support the power of

chief or king, very helpful in warfare or communal endeavors but also subject to abuse of power.

Inequality in the Rise and Fall of Kingdoms and Empires

Yet, this is not a linear process - kingdoms and empires rise and fall or get reconfigured in a variety of ways. It turns out that inequality often plays a key role in this process, a role examined by social scientist Peter Turchin in a number of historical settings. It takes a cohesive, relatively egalitarian group to take over or expand a region into a powerful kingdom or empire. But eventually that kingdom or empire reaches its limits to growth. Unfortunately, ambitious elites often ignore the warning signs and keep pushing to expand their wealth. When outward expansion fails, they end up over exploiting natural resources and their own people. This period of escalating inequality and resource degradation at the zenith leads to the fall or collapse of the regime as costs mount, production slows, internal strife accelerates, or invasions meet little resistance. Sometimes this may be a matter of decades, but other times, as with Rome, it can take centuries of ups and downs before the final collapse sets the stage for a new, poorer and more egalitarian era and new regimes. The lesson for today is not a pleasant one.

Barriers of Social Class

Barriers of social class arise naturally as inequality increases, along with increased competition for wealth that is perceived as limited or scarce. Those who worked hard or maneuvered to get a decent share of that wealth don't want to lose it. So, class barriers develop to help protect the haves from competition by have-nots. These barriers easily arise, not just from occupation, but from something as simple as housing and education segregated by wealth or other factors. For example, parents in richer areas go to great lengths to give their children a multitude of experiences advantages that are inaccessible to most in the poorer areas, who then fall behind on ladders to success. Middle class activists who want to work with working class people often find that they do not communicate on the same wave length and must make a conscious effort to diversify their experiences and to expand their comfort zones.

Currently in the United States, middle class activists are typically more individualistic and politically or ideologically motivated and often talk abstractly. Less educated working-class activists have a more communal ethic of mutual aid, talk more concretely and in shorter sentences, and bond to their group by relationships of trust, especially with leaders or mentors, as well as by help given or received.

Cycles of Inequality in the History of the United States

As the history of the United States demonstrates, there can be cycles of inequality of various kinds during the rise and fall of an empire. Society among the European settlers began on a very equal footing, starting at Jamestown. Then powerful factions began to develop, along with increasing tensions between them, leading to the War for Independence, followed by a new period of abundant opportunity and westward expansion. But once again tensions built, culminating in the Civil War, with extreme inequality and economic and social rigidity concentrated in the South, which was weakened by this inequality and rigidity.

Then westward expansion and economic growth accelerated once again as self-made men prospered and the industrial revolution roared into high gear. But soon monopolies and trusts found ways to take outsize portions of the new wealth for themselves, leaving angry farmers and exploited industrial workers to organize against the robber barons and to demand the egalitarian reforms of the Progressive Era. But after World War I a pro-business takeover and escalating inequality in the 1920s culminated in the stock market crash of 1929. This very short cycle ending in the Great Depression was an aberration, followed by the more deeply institutionalized equality of the New Deal, reinforced by the rationing of World War II, and the Bretton Woods post war monetary regime which favored strong international growth. This era of unions, progressive taxes, and economic growth was so strong that it survived to the 1970s, creating the Golden Age of middle class expansion.

The Current Era of Soaring Inequality

The Reagan era ushered in escalating inequality so powerful that the resulting crash of 2008 was manipulated by Wall Street to complete one of the most spectacular victories for plutocracy in history, with US national wealth doubling while typical worker pay has stagnated. However, it proved to be a Pyrrhic victory, as the Occupy Movement and now Ferguson signaled a new era of activism and protest against the predations of the mega corporations and billionaires that have left so many more households struggling just to get by or failing altogether.

But each cycle of the rise and fall of inequality plays out differently and this time promises to be very distinctive, what with planet earth reaching its environmental and natural resource limits-to-growth. Contrary to many superficial studies, more sober analyses suggest that the world will be forced to drastically scale back its use of many resources, especially energy, by the second half of this century, as the era of cheap fossil fuels comes to a close. Analyses that remove the "fossil fuel subsidy" for modern technology and infrastructure indicate that renewable energy will supply only a fraction

of current energy needs. In particular, compared to traditional fossil fuels, the net energy from renewables is either low or can't be scaled up to meet global needs. Some key minerals will also become much more costly, while ecosystem damage increasingly will translate into major economic damage.

The Piketty Analysis of Inequality

Economists like Thomas Piketty are now taking a deeper look at escalating inequality to better understand why and how it plays out in the modern world. They find that when the rate of return to capital substantially exceeds the rate of economic growth, then inequality increases in one way or another. The net rate of return on capital, or wealth, includes both the rate of profit or rent from a physical investment and the interest rate or dividend on a financial investment, after taxes, depreciation, consumption, donations, etc.; in other words, the capital that is saved or reinvested. Economic growth means growth of income, both from labor and capital. What this boils down to is that unless worker pay increases at least as fast as net profits, then inequality increases, assuming that nothing enforces a very broad ownership of this capital.

Thus, inequality has worsened since the financial crash of 2008 because corporate and financial profits have continued to soar while median pay has declined by about 10%, compounded by high unemployment. Global limits-to-growth suggest a zero-sum game, then worse, for coming generations, so the struggle against oppressive inequality could be long, difficult, and likely destructive in one way or another.

Yet, even in the absence of growth, there are ways around this inexorable rise in inequality. As Piketty shows, government could simply tax the net return on capital to reduce it to match economic growth, then tax major accumulations of wealth. Another way, not cited by Piketty, would be to distribute the ownership of capital broadly among the populace – an “ownership society”. Yet another way would be to overhaul the system of laws, regulations, and institutional structures – to use non-tax ways to penalize high income and accumulated wealth and to reward solidarity, while strongly pursuing full employment, labor rights, and public services and insurance for the 99%. But Piketty says that in the past this took the near revolutionary conditions of two world wars and a great depression. Another unpleasant lesson of history.

The Severe Social Consequences of Inequality

The consequences of extreme inequality are everywhere but many of the social consequences have been hidden in plain sight as demonstrated by Richard Wilkinson and Kate Pickett. They compared inequality to social dysfunction in a variety of first

world nations, also for all US states. They found strong correlations of rising inequality with increased violence and imprisonment, educational and health disparities, consumerism, barriers of class, and much more. Even more amazing, affluent people in an unequal society like the US tended to be less healthy than people of comparable wealth in more equal societies, like Japan or Denmark. Sociologists have identified the stresses of unequal societies that lead to many of these dysfunctions, in addition to the more obvious economic and social barriers. Of course, social dysfunction imposes huge economic costs too, resulting in less economic growth according to many studies.

Direct Actions to Reduce Inequality

Today's inequality has been created and sustained by a wide variety of mechanisms, so there is no simple formula on how to undo all the complexity of this rigged system. Instead there are many complementary lines of attack. For example, some may decide to "raise the bottom"; that is, to work on raising minimum wages or living wages or to support unionization. Others may tackle "lowering the top" – to work on stronger income or wealth taxes, or closing tax loopholes, or better regulating Wall Street, or shutting down the shadow banking system and tax evasion. Both "raising the bottom" and "lowering the top" will be necessary.

Then there are unaccountable mega-corporations who routinely get away with monopolistic practices and lobby to get special subsidies and privileges that destroy many smaller businesses. Still others may want to go after regulations that subsidize the outsourcing of good jobs or that use trade agreements to privilege mega-corporations, taking away democratic rights and propelling a global "race to the bottom". Others will want to campaign for new ways to require corporations to internalize social and environment costs instead of the kind of regulatory capture and political control that lets them profit at the expense of our future, knowing that poorer households often bear the brunt of such costs.

But for every old battle front where we finally make headway, it seems that a dozen new battle fronts open up. There's got to be a better way, a system that identifies and rewards good behavior more powerfully than bad.

More Systemic Actions Toward an Egalitarian Society

So we can ask, What can we do to change our political and economic system so that future generations will be better equipped to guard against the forces of plutocracy? Digging deeper, we can talk about the ownership of wealth, how political campaigns are financed, how voting is conducted, and about private enterprise that is structured to have more democratic accountability. Cooperatives are already

widespread in the US, also companies that are at least partially owned by their employees. In addition, there are hosts of non-profit corporations and many public enterprises like utilities. A key challenge is to get more stakeholder ownership and participation into the decision making of very large or monopolistic corporations, such as the kinds of government ownership that are common in many other countries, or union representatives on boards of directors or management teams, or representatives of customer or supplier networks or watchdog groups. And with major transnational corporations, some kind of international ownership or accountability is needed.

We already have a model for broad based ownership of valuable assets or resources in the Alaska Permanent Fund, a kind of sovereign wealth fund, which distributes oil revenues on an equal per capita basis. But without democratic ownership of wealth, we know that voting rights, the financing of political campaigns, lobbying, and access to media all become huge issues. Without strong constitutional restrictions, government is modified to serve wealthy special interests at the expense of the people in a vicious cycle: the rich get richer and the majority are left behind no matter how hard they work because they are working for the rich, not each other.

Thinking long term, even the most perfect egalitarian society will fail if it is not sustainable. So how do we transition to incentives that are the opposite of today's economy – to consume less, not more, to leave something for future generations, an economy that restores planet earth, instead of plundering it. Traditional monetary rewards will not do. A tall challenge indeed.

How to Choose Actions and Start Organizing

Where to focus your energies? That's always a big question. Or can you focus at all? A congregation or justice group needs to have some understanding of the scope of the problem and of possible actions before deciding what to do. Brainstorming possible actions at the first meeting would be a good stimulant, but real choices and organizing should wait till the last meeting of the study group.

But before jumping in, ask how well are we grounded in religious principles for doing systemic social action? For example, discuss Richard Gilbert's four principles of equity: options, fair share, community, moral sensitivity in regard to proposed actions. Also, his "canons" or guidelines for distributive justice: meets basic needs, limits excessive consumption, strengthens the common good, reasonably rewards productive work and scarce skills in a communal context, rewards effort and sacrifice for others.

In addition, a key to success will be community allies or partners and often state or national organizations, where distinctions need to be made between short and long term goals. Another key will be leadership: Is there good leadership already? Do we need to develop leadership in our own group, or support it in allied groups (especially disadvantaged groups)? How do we share leadership? How do we reward and celebrate it?

Finally, what is our ultimate goal – a vision for the ideal economy system of the future? Is it possible to recapture in a modern mass society at least some of the features of sharing and solidarity characteristic of more primitive societies? How will your actions be a step in that direction, a step that will become one of many in the march of history toward justice and sustainability?

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