

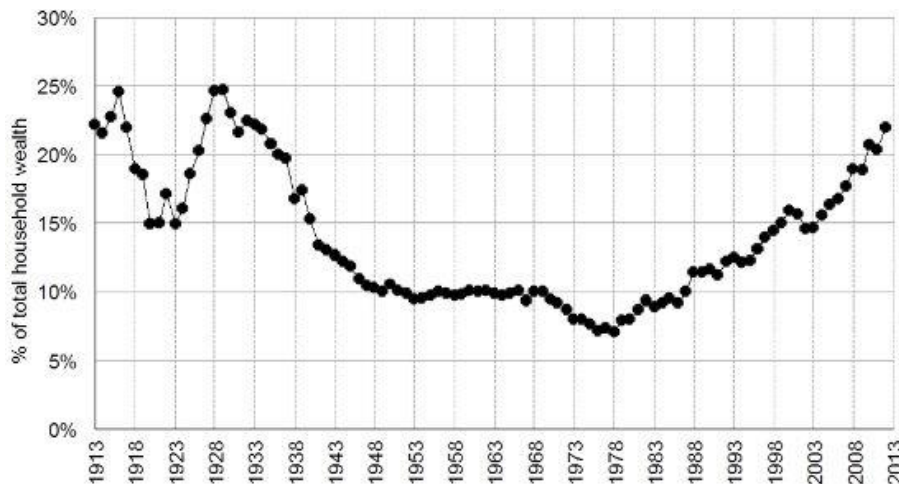
04 Is Wealth and Income Disparity an Issue?

For 5,000 years, humans lived in the past tense: "Yesterday was the same as tomorrow." For the next 500 years people lived in the present tense: "Today can be whatever we want it to be." But now, for the next 50 years we must start living in the future tense: "Tomorrow's social, economic and political constraints must become today's reality."

"When the rate of return on capital exceeds the rate of growth of output and income, as it did in the nineteenth century and seems quite likely to do again in the twenty-first, capitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based."

Thomas Piketty, *Capital in the 21st Century*.

The occupy Wall Street movement brought to public awareness the fact that there is a large and growing disparity in the United States in wealth and income. The wealthy are becoming wealthier and the poor are becoming poorer. In the US, the share of total income earned by the top 1% was less than 10% in the 1970's, but now exceeds 20%. And, the wealthiest 160,000 families own as much wealth as the poorest 145 million families, similar to just before the Great Depression.



Source: *Fortune*, Feb. 5, 2015. Research by Saez and Zucman, London School of Economics

The current assumption for the large class differences in the US is that income and wealth disparities provide an incentive for hard work and initiative, and that anyone can become rich and successful.

This assumption is a myth. In fact, far from enabling the ideology of the American Dream, the US has the lowest mobility rate among all of the developed countries of the world. The

economic, political and social aspects of wealth and income disparity have been extensively studied by the social and behavioral sciences and the humanities.

The scholarly evidence is over whelming clear that political and social instability, economic hardship for a large number of people, and a decline in general well-being are the consequences of large disparities of wealth and income. In comparison to all of the developed countries of the world the US has the *highest* incidence of mental illness, drug use, infant mortality rates, obesity, teenage pregnancies, homicides and people incarcerated in prison.

“The main driver of inequality—the tendency of returns on capital to exceed the rate of economic growth—today threatens to generate extreme inequalities that stir discontent and undermine democratic values.”

Thomas Piketty, *Capital in the 21st Century*.

The principle alternative assumption is that small levels of inequalities -- the lack of extreme poverty and extreme wealth -- are very beneficial, both individually and collectively. Relatively high levels of individual well-being promote civic order and social responsibility. The absence of extreme wealth insulates the political process from corruption and avoids stratifying the social structure into those with power and responsibility and into those without access to opportunity.

It is at this point that our beliefs – our economic, political and social ideologies – become relevant. If economic inequalities are an issue to be addressed, what are the various ways to do so?

Clearly there is not one correct approach to make the necessary adjustments. There is, however, an imperative civic obligation to accommodate the competing economic, political and social ideologies. Individuals with different beliefs and values will have different lists of preferred approaches. But, unlike facts and knowledge, our beliefs and values are negotiable.

Choices are based on facts, solutions on compromise.