

Original Paper

Inequality

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Abstract

Inequality has become a malignant, contagious disease. It feeds, it grows, it attaches itself to nearly all aspects of life. It poisons or impedes many of our relationships. Above all, it is a threat to the health and stability of our democratic republic. It has become the major issue of our time. We can see more clearly how and why it has become so as we review eight major features of our society. Refer to the diagram below as you read.

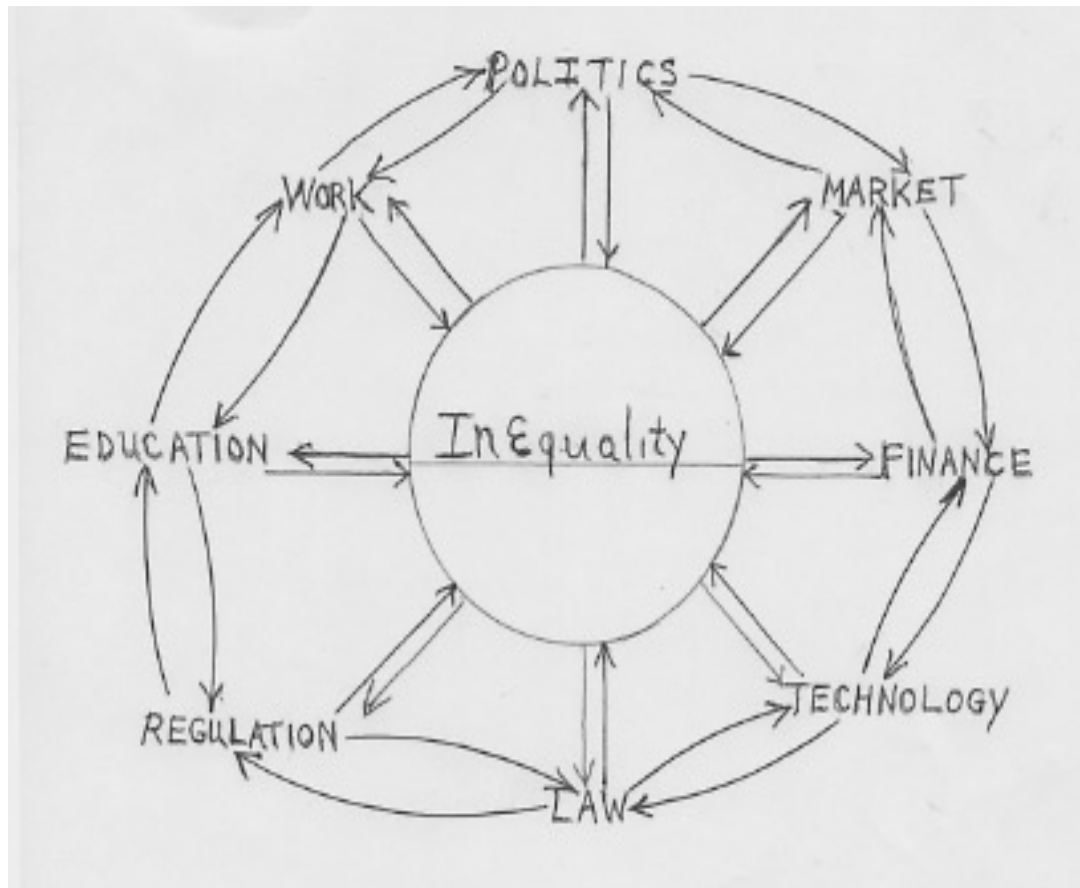


Figure 1. Diagram

1. Introduction

We proceed by discussing each of the eight categories featured around the circumference of the DIAGRAM, above, in order of their appearance starting with “The Market” and moving clockwise henceforth.

The Market—so-called “free”—is the most powerful generator of inequality. It is not free. Market power is skewed. It’s only in the idealistic, textbook model of a perfectly competitive economy populated by small businesses and actors with equal assets that the market works reasonably well to produce stability and economic well-being for all. The real world features inequalities of all kinds at all levels. The market dynamics of such an economy tend to increasingly aggravate inequalities as economic actors who grow wealthier or bigger use their power to build their wealth and decrease competition. Thus, the unfree market becomes increasingly so. “Trickle down” is a myth. At their core, private markets are transactional mechanisms grounded in two beliefs mistakenly thought to be both moral and ethical:

- (i) that imbalances of power between two sides of a transaction can be ignored, and that.
- (ii) *the end justifies the means.*

Technological innovations driven by science have increasingly driven inequality upward. The old

model of innovation—whereby an individual provides an invention that spreads—is less and less germane. Technology is increasingly “high tech” financed by or through major institutions, including big business, large universities and government. Business and educational marketplaces are increasingly driven by high-tech.

Education, the presumed “great equalizer”, is becoming less so as the Dewey model of equal public education for all is compromised by the spread of public/private models preferred by the better off. They naturally seek to give their offspring an additional “leg up” in the system. These include practically private charter schools financed by public money. Education is now primarily oriented to producing college graduates and raising certification levels for doing even rather ordinary tasks. Belated recognition of the importance of vocational education will help to build a society increasingly stratified by economic class—a European, not an American model.

The Diagram above condenses the forces at work into diabolical loops—a set of vicious sub-circles. The educational system, for example, is distorted by inequality that, in turn, feeds back to further increase inequality.

Politics, another mythical equalizer, has become both dependent upon and generator of inequality as the cost of political campaigns rises at rates that are multiples of the CPI. “One man, one vote” has been largely supplanted by “money talks and bullshit walks” while campaign finance reform has failed. The old-fashioned, people-based, door-to-door politics has largely given way to big-money politics via advertising. Meanwhile, the advertising industry increasingly consolidated and dominated by big media corporations, helps to turn people away from activism and into consumers of infotainment and political pablum.

Finance: As the last “Great Recession” revealed, financial innovation and game-playing by major financial firms serve to generate both financial instability and greater inequality (Note 1). The “99%”—small investors among individual citizens—had long since become irrelevant players in financial markets. Not one executive of a major financial company was even indicted, let alone convicted of financial malpractice, yet the “1%” associated with the largest organizations served to increase their wealth while immiserating millions of Americans.

Work & Income: Political and educational factors increasing inequality are reinforced by those of work, income and wealth. Those with no more than a high school education can no longer earn enough to sustain a family at a lower middle-class level of living.

A significant proportion of the highest incomes are mostly unearned, gotten from short-term, high-risk investments. The gap between the middle-class (already reduced by the 2008-2012 financial crises) and the upper-classes has been increasing. The share of financial sector activity in GDP has increased significantly. And so has the gap between the “real” (productive of real things) and money-based sectors of the economy.

Law and Regulation: These no longer provide the basis for an equal-opportunity economy. Among other factors at work, occupational groups establish certification and licensing requirements that

increase barriers to entry. Capital and financing requirements have increased barriers to entrepreneurship. Even among the well-educated, “Who you know” and “How well are you connected” are at least as important as “What you know”. Bankruptcy laws favor owners over creditors.

Finally, note that the diagram illustrates:

- (1) Two-way interactivity between inequality and each of the eight factors aggravating inequality, and also
- (2) Interactivity between each of the eight factors and those adjoining. There are also interactions between each and those not adjoining. A matrix is required as shown below to illustrate the complete set. Summing the elements across the rows would reveal that the Market is first among influences;

Table 1. Matrix

Market	Politics	Finance	Techno.	Law	Regulate	Educate	Work
Politics	Finance	Techno.	Law	Regulate	Educate	Work	
Finance	Techno.	Law	Regulate	Educate	Work		
Techno	Law	Regulate	C	Work			
Law	Regulate	Educate	Work				
Regulate	Educate	Work					
Educate	Work						
Work							

Overall, however, what the Diagram calls for is a mathematical, non-linear model to estimate parameters that would fully and quantitatively the relationships illustrated in the Diagram and Matrix. Such a model lies beyond the scope of this essay.

Consider the interactivity between “Education” and “Work”, for example. One aspect of this is set forth in Manstead, who wrote:

“...the school system reproduces social inequalities by promoting norms and values that are more familiar to children from middle-class backgrounds. To the extent that this helps middle-class children to out-perform their working-class peers, the ‘meritocratic’ belief that such performance differences are due to differences in ability and/or effort will serve to ‘explain’ and legitimate unequal performance”.

Full treatment of the interactions here and would require a supplementary piece, even a book.

What is missing from the Diagram?—Globalization, an overarching influence on all of the included factors. It also serves in heighten inequality, especially via multinational corporations. They pay their executives higher multiples of workforce earnings. They park significant portions of their corporate earnings in tax havens abroad, thus lessening federal tax revenues that could be used to help offset the deleterious impacts of rising inequality.

Thus, the diagram reveals that our society and economy now amount to a huge inequality generating

machine. The consequences are fearful to contemplate. They suggest what some writers have already concluded we have: An oligarchy, not a democratic republic. It's quite foreseeable that America, the fabled land of opportunity and freedom, may become a 3-tier class society dominated by the rich, with a small go-along, get along middle class lording it over a large, subservient lower class hardly able to get along at all. If we are to have any chance to avoid this dreadful prospect, then reduction of inequality needs to be moved to the top of political and organizational agendas at all levels. The American Dream is not grounded on inequality. It is endangered by the high level of inequality of incomes and wealth already attained and ever rising.

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Note

Note 1. Although, as Hoffman (2019) reveals, the Recession was sparked by a huge jump in oil prices.