

Article 8.7

PUNDITS CLAIM FIGHTING INEQUALITY IS BAD FOR LOW-WAGE WORKERS.

BY JOHN MILLER

March/April 2020

The Sanders class-war story is wrong. ... Over the past few years wages for workers toward the bottom of the income stream have been rising faster than wages for those toward the top.

If you improve worker bargaining power, that may help a bit, but over the long run people can't earn what they don't produce. ... The real solution, therefore, is not class war. It's to boost and expand productivity for everybody else.

—David Brooks, "The Bernie Sanders Fallacy: No, Virginia, there is no class war," *New York Times*, Jan. 16, 2020

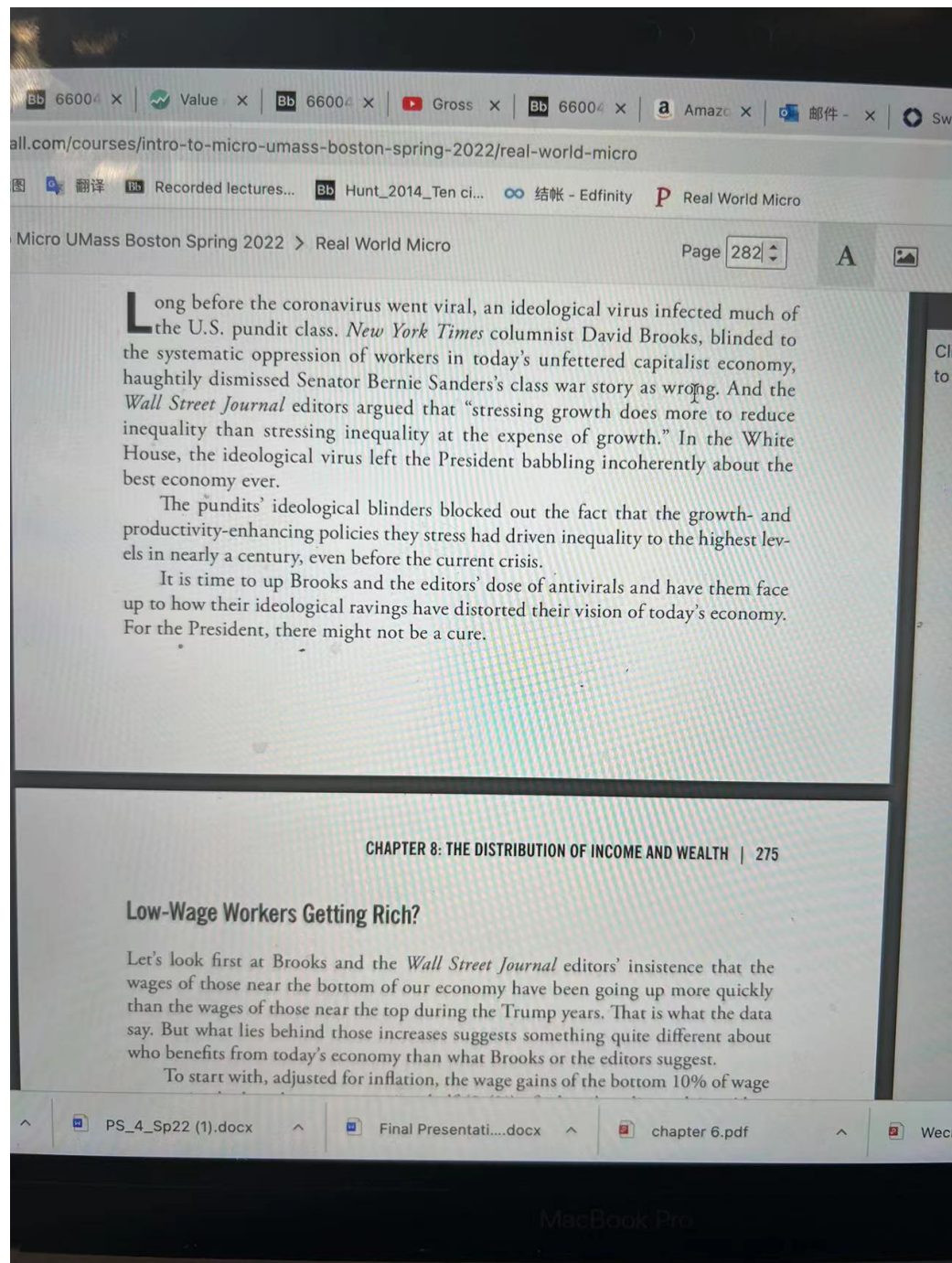
During the Trump Presidency, wages for the bottom 10% of earners over age 25 rose an average 5.9% annually compared to 2.4% during Barack Obama's second term. Stressing growth [has] done more to reduce inequality than stress[ing] inequality at the expense of growth.

—Editorial Board, "The Economy's Inequality Dividend: Growth is lifting low-income workers and the middle class," *Wall Street Journal*, Jan. 10, 2020

"Since my election, the net worth of the bottom half of wage earners has increased 47%—three times faster than the increase for the top 1%."

—Donald Trump, "Full Transcript: Trump's 2020 State of the Union Address," *New York Times*, Feb. 5, 2020

Long before the coronavirus went viral, an ideological virus infected much of the U.S. pundit class. *New York Times* columnist David Brooks, blinded to the systematic oppression of workers in today's unfettered capitalist economy, haughtily dismissed Senator Bernie Sanders's class war story as wrong. And the *Wall Street Journal* editors argued that "stressing growth does more to reduce



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The pundits' ideological blinders blocked out the fact that the growth- and productivity-enhancing policies they stress had driven inequality to the highest levels in nearly a century, even before the current crisis.

It is time to up Brooks and the editors' dose of antivirals and have them face up to how their ideological ravings have distorted their vision of today's economy. For the President, there might not be a cure.

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Low-Wage Workers Getting Rich?

Let's look first at Brooks and the *Wall Street Journal* editors' insistence that the wages of those near the bottom of our economy have been going up more quickly than the wages of those near the top during the Trump years. That is what the data say. But what lies behind those increases suggests something quite different about who benefits from today's economy than what Brooks or the editors suggest.

To start with, adjusted for inflation, the wage gains of the bottom 10% of wage

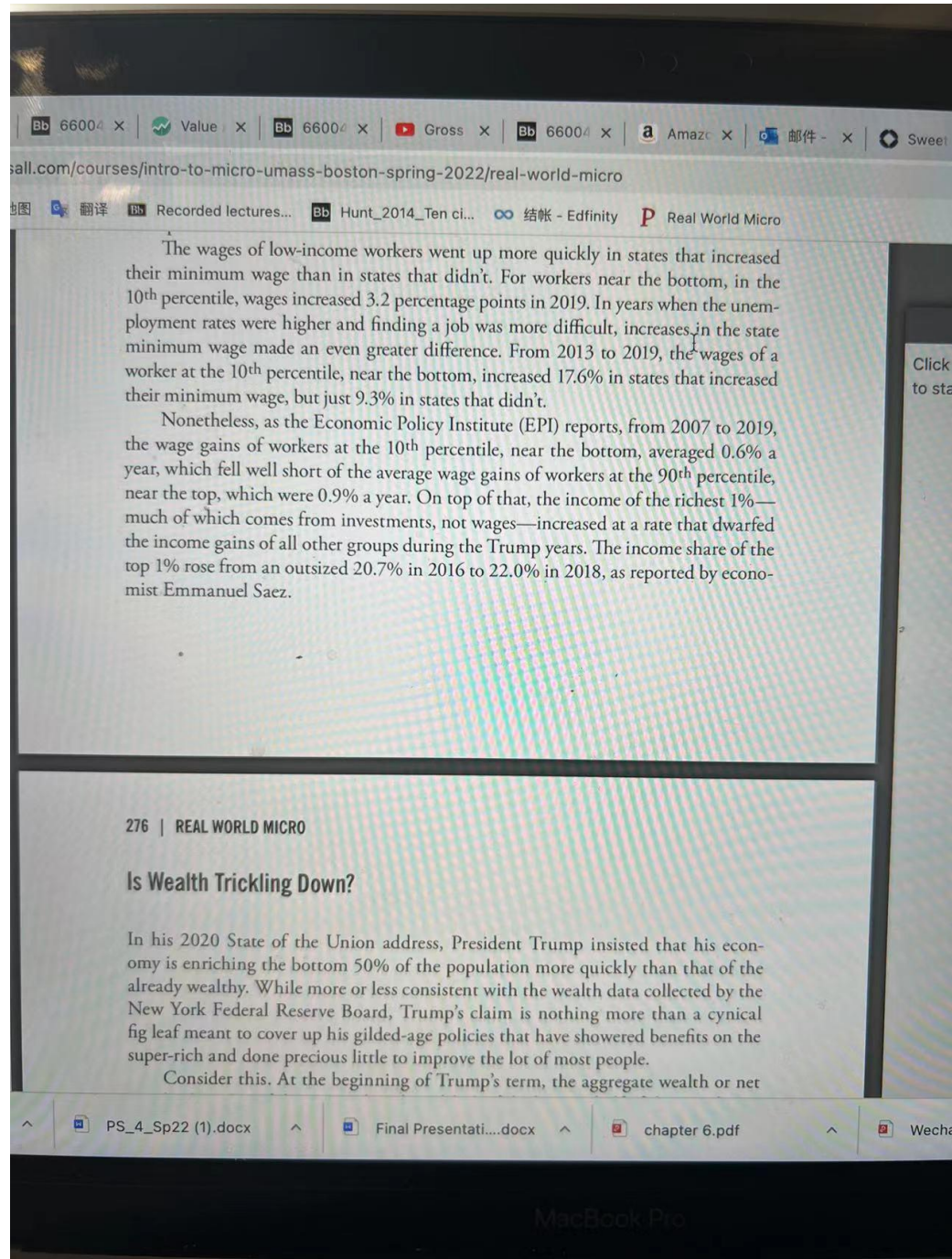
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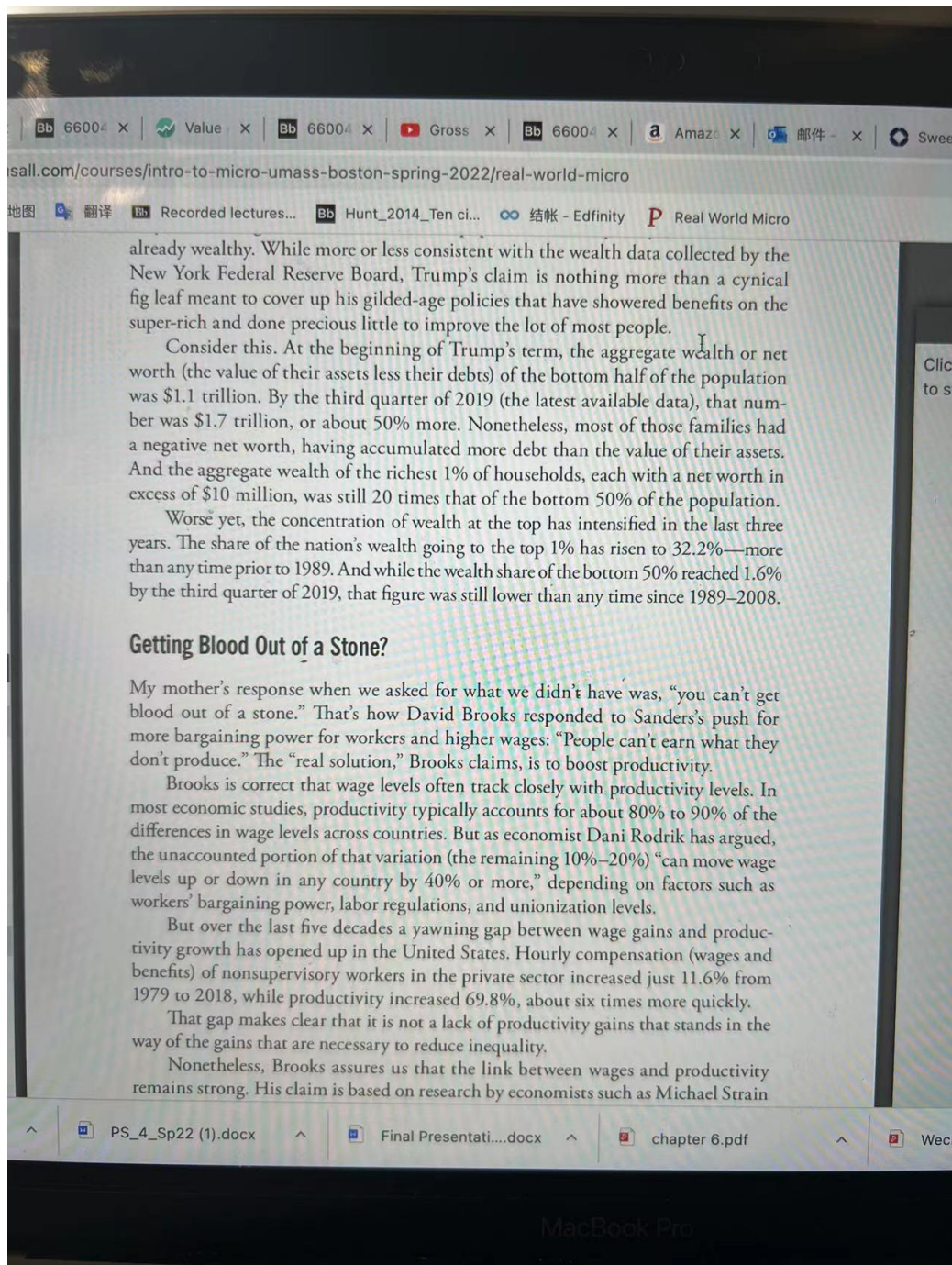
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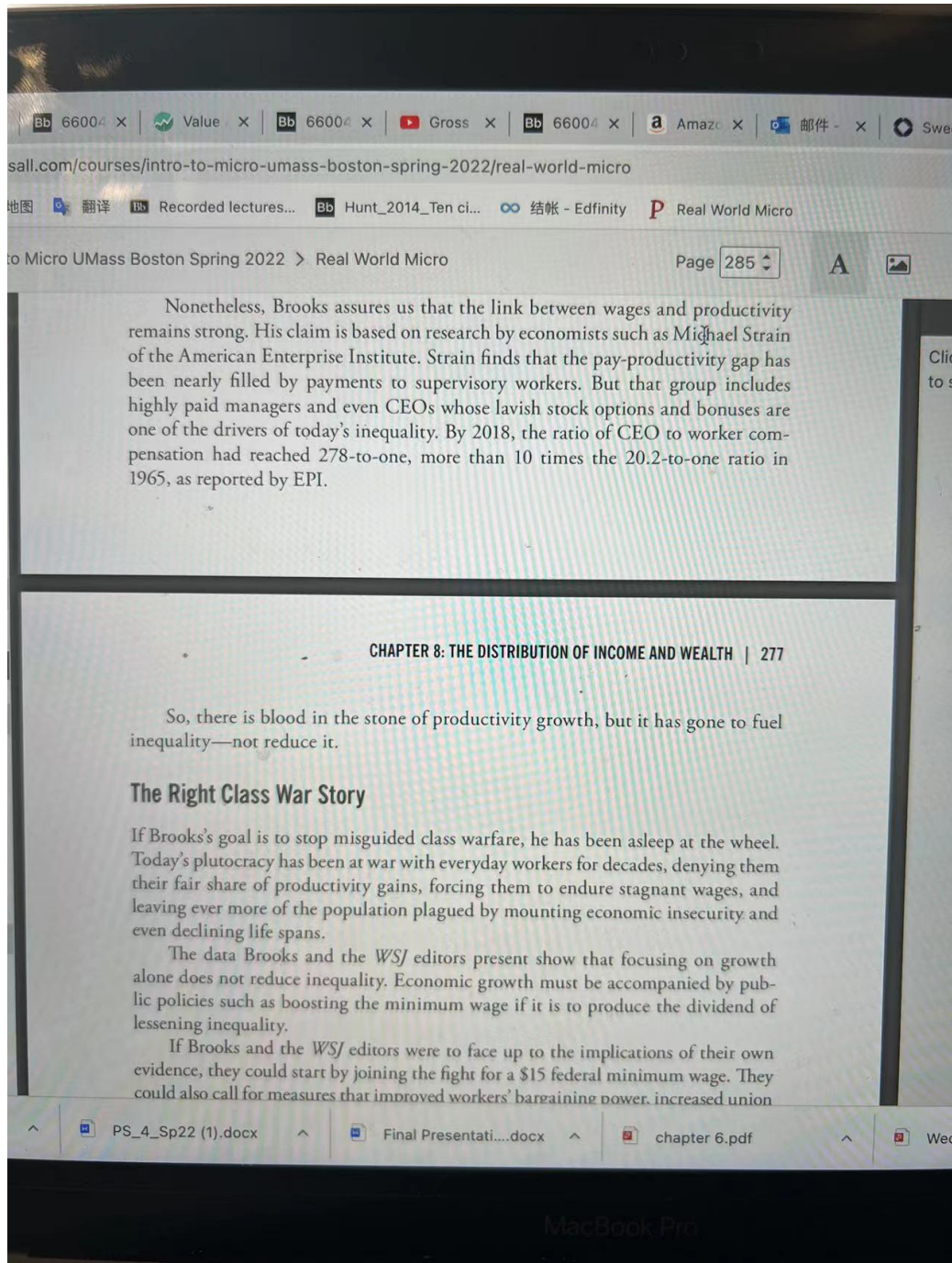
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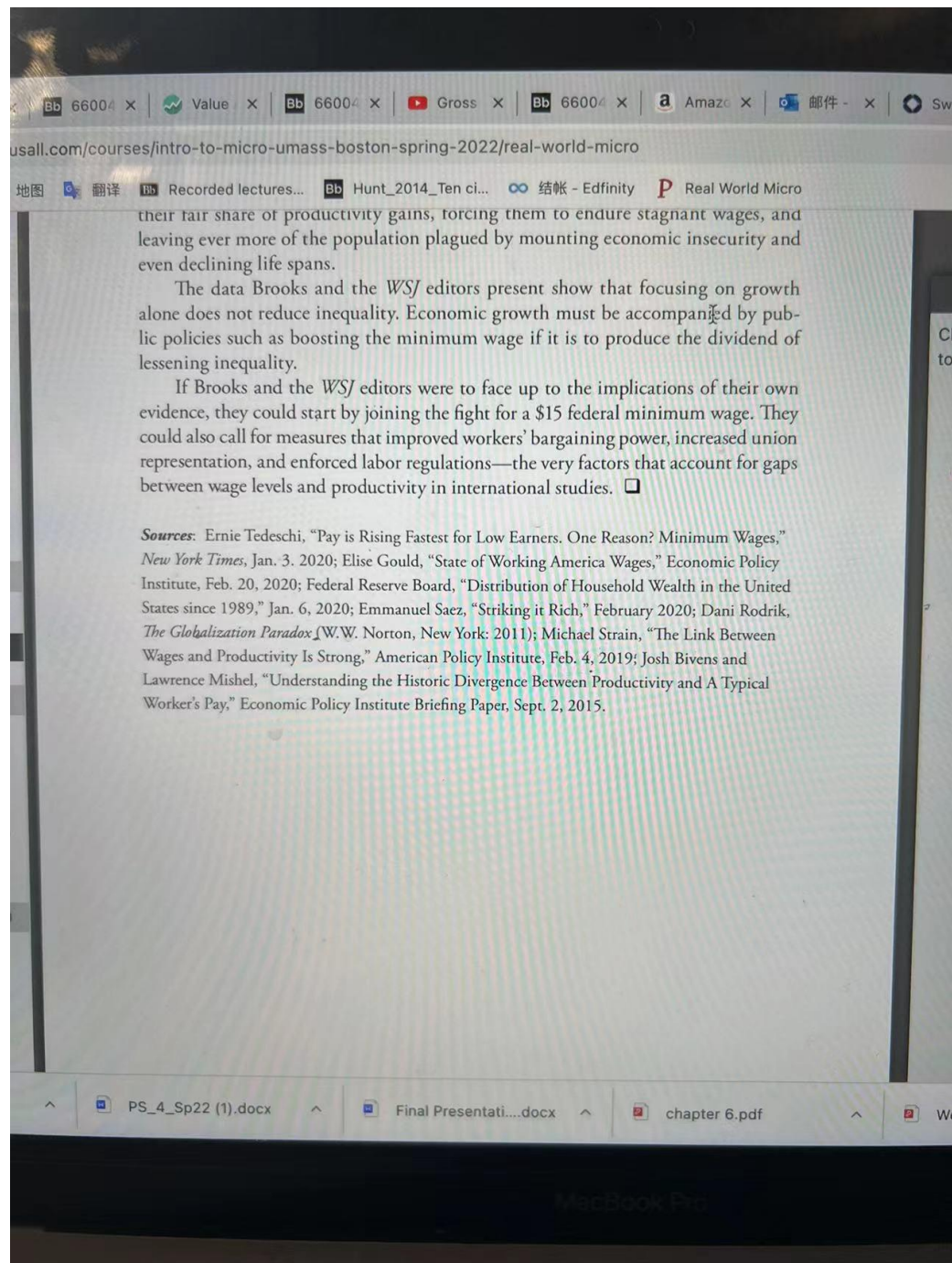
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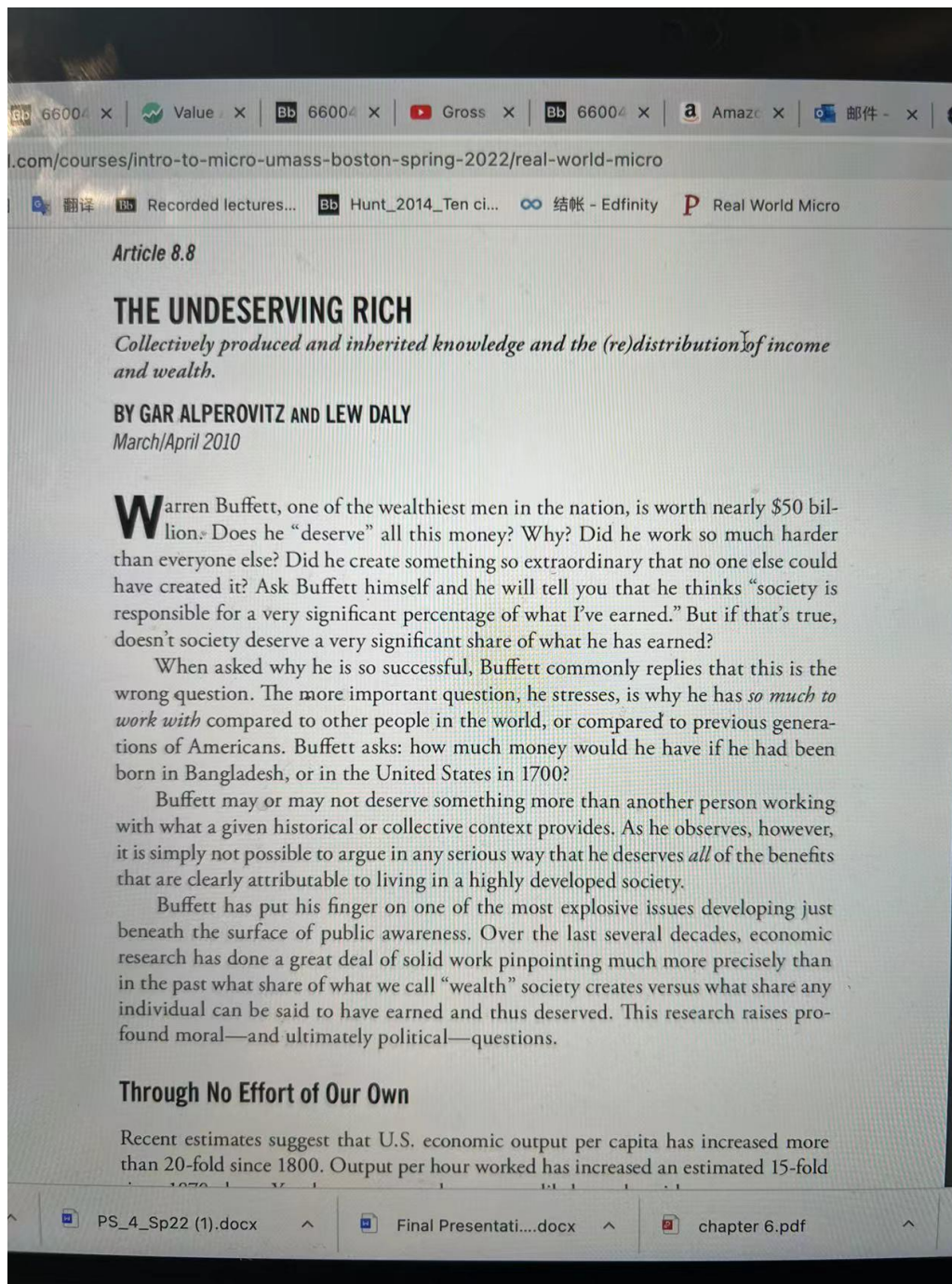
their fair share of productivity gains, forcing them to endure stagnant wages, and leaving ever more of the population plagued by mounting economic insecurity and even declining life spans.

The data Brooks and the *WSJ* editors present show that focusing on growth alone does not reduce inequality. Economic growth must be accompanied by public policies such as boosting the minimum wage if it is to produce the dividend of lessening inequality.

If Brooks and the *WSJ* editors were to face up to the implications of their own evidence, they could start by joining the fight for a \$15 federal minimum wage. They could also call for measures that improved workers' bargaining power, increased union representation, and enforced labor regulations—the very factors that account for gaps between wage levels and productivity in international studies. □

Sources: Ernie Tedeschi, "Pay is Rising Fastest for Low Earners. One Reason? Minimum Wages," *New York Times*, Jan. 3, 2020; Elise Gould, "State of Working America Wages," Economic Policy Institute, Feb. 20, 2020; Federal Reserve Board, "Distribution of Household Wealth in the United States since 1989," Jan. 6, 2020; Emmanuel Saez, "Striking it Rich," February 2020; Dani Rodrik, *The Globalization Paradox* (W.W. Norton, New York: 2011); Michael Strain, "The Link Between Wages and Productivity Is Strong," American Policy Institute, Feb. 4, 2019; Josh Bivens and Lawrence Mishel, "Understanding the Historic Divergence Between Productivity and A Typical Worker's Pay," Economic Policy Institute Briefing Paper, Sept. 2, 2015.

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Article 8.8

THE UNDESERVING RICH

Collectively produced and inherited knowledge and the (re)distribution of income and wealth.

BY GAR ALPEROVITZ AND LEW DALY

March/April 2010

Warren Buffett, one of the wealthiest men in the nation, is worth nearly \$50 billion. Does he “deserve” all this money? Why? Did he work so much harder than everyone else? Did he create something so extraordinary that no one else could have created it? Ask Buffett himself and he will tell you that he thinks “society is responsible for a very significant percentage of what I’ve earned.” But if that’s true, doesn’t society deserve a very significant share of what he has earned?

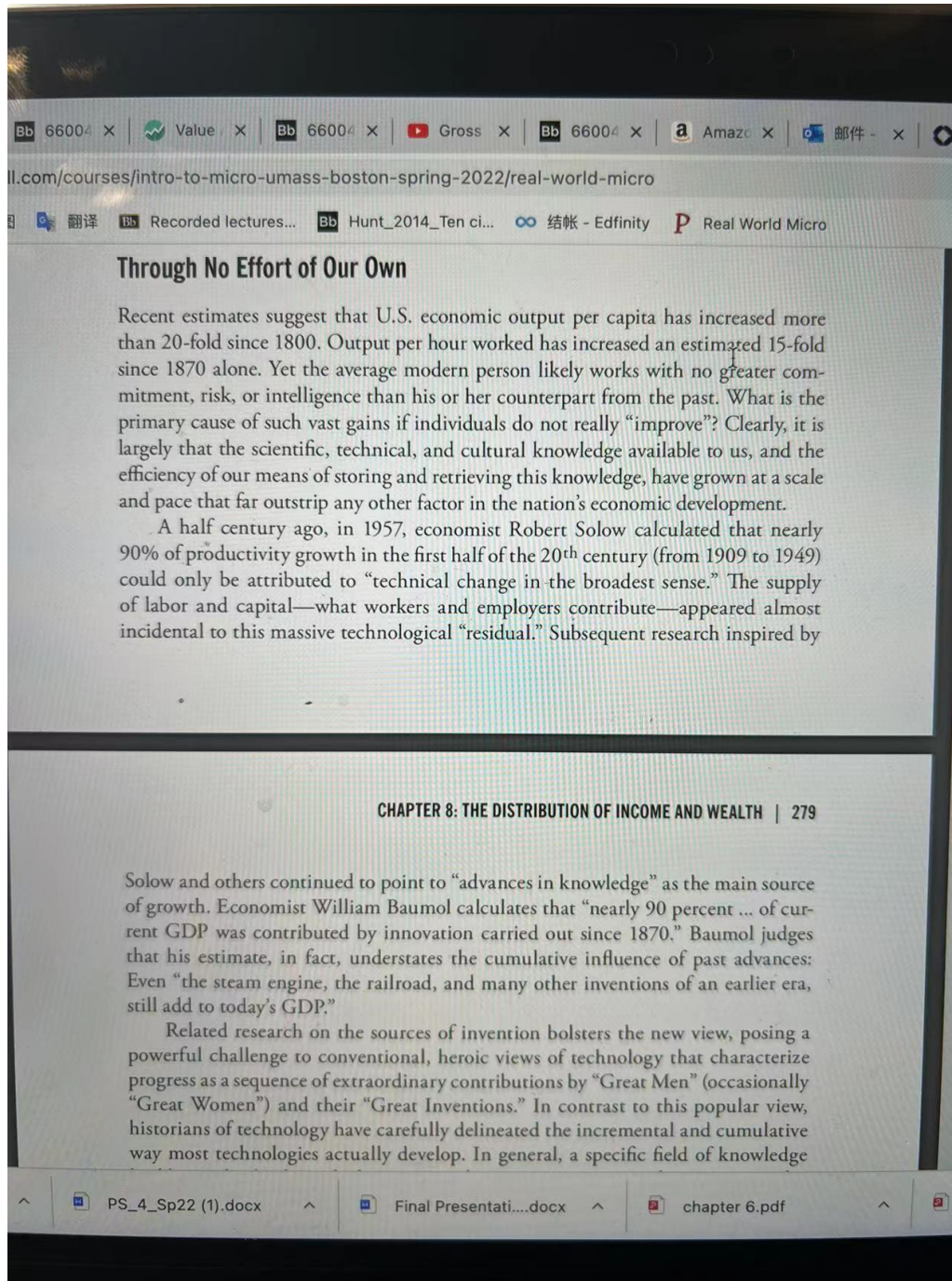
When asked why he is so successful, Buffett commonly replies that this is the wrong question. The more important question, he stresses, is why he has *so much to work with* compared to other people in the world, or compared to previous generations of Americans. Buffett asks: how much money would he have if he had been born in Bangladesh, or in the United States in 1700?

Buffett may or may not deserve something more than another person working with what a given historical or collective context provides. As he observes, however, it is simply not possible to argue in any serious way that he deserves *all* of the benefits that are clearly attributable to living in a highly developed society.

Buffett has put his finger on one of the most explosive issues developing just beneath the surface of public awareness. Over the last several decades, economic research has done a great deal of solid work pinpointing much more precisely than in the past what share of what we call “wealth” society creates versus what share any individual can be said to have earned and thus deserved. This research raises profound moral—and ultimately political—questions.

Through No Effort of Our Own

Recent estimates suggest that U.S. economic output per capita has increased more than 20-fold since 1800. Output per hour worked has increased an estimated 15-fold



Related research on the sources of invention bolsters the new view, posing a powerful challenge to conventional, heroic views of technology that characterize progress as a sequence of extraordinary contributions by “Great Men” (occasionally “Great Women”) and their “Great Inventions.” In contrast to this popular view, historians of technology have carefully delineated the incremental and cumulative way most technologies actually develop. In general, a specific field of knowledge builds up slowly through diverse contributions over time until—at a particular moment when enough has been established—the next so-called “breakthrough” becomes all but inevitable.

Often many people reach the same point at virtually the same time, for the simple reason that they all are working from the same developing information and research base. The next step commonly becomes obvious (or if not obvious, very likely to be taken within a few months or years). We tend to give credit to the person who gets there first—or rather, who gets the first public attention, since often the real originator is not as good at public relations as the one who jumps to the front of the line and claims credit. Thus, we remember Alexander Graham Bell as the inventor of the telephone even though, among others, Elisha Gray and Antonio Meucci got there at the same time or even before him. Isaac Newton and Gottfried Wilhelm Leibniz hit upon the calculus at roughly the same time in the 1670s; Charles Darwin and Alfred Russel Wallace produced essentially the same theory of evolution at roughly the same time in the late 1850s.

Less important than who gets the credit is the simple fact that most breakthroughs occur not so much thanks to one “genius,” but because of the longer historical unfolding of knowledge. All of this knowledge—the overwhelming source of all modern wealth—comes to us today *through no effort of our own*. It is the generous and unearned gift of the past. In the words of Northwestern economist Joel Mokyr, it is a “free lunch.”

Collective knowledge is often created by formal public efforts as well, a point progressives often stress. Many of the advances which propelled our high-tech economy in the early 1990s grew directly out of research programs and technical systems financed and often collaboratively developed by the federal government. The internet, to take the most obvious example, began as a government defense project, the ARPANET, in the early 1960s. Up through the 1980s there was little private investment or interest in developing computer networks. Today’s vast software industry also rests on a foundation of computer language and operating hardware developed in large part with public support. The Bill Gateses of the world—the

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pharmaceutical industry advances. Yet the truth is that the role of collectively inherited knowledge is far, far greater than just the contributions made by direct public support, important as they are.

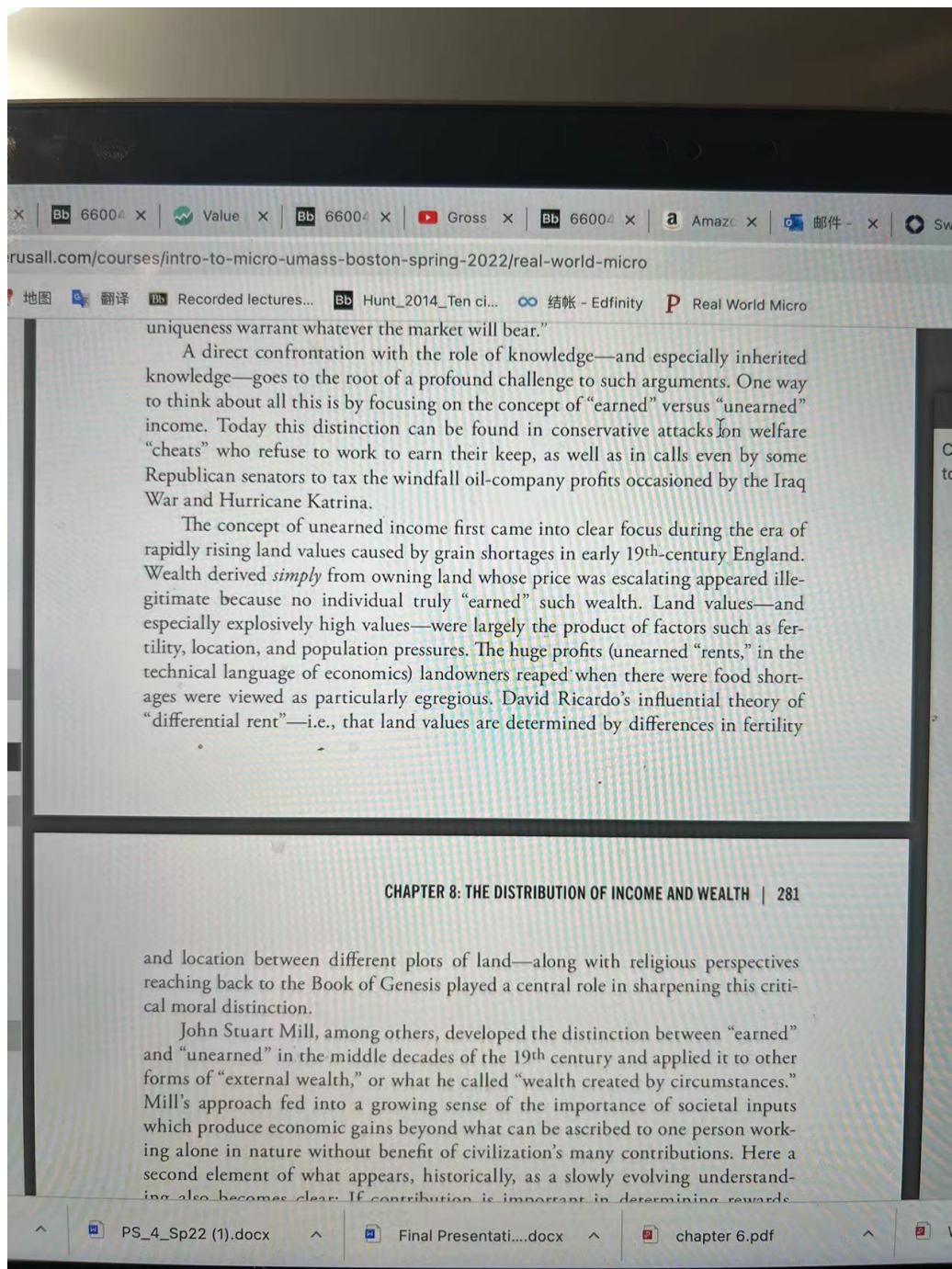
Earned Income?

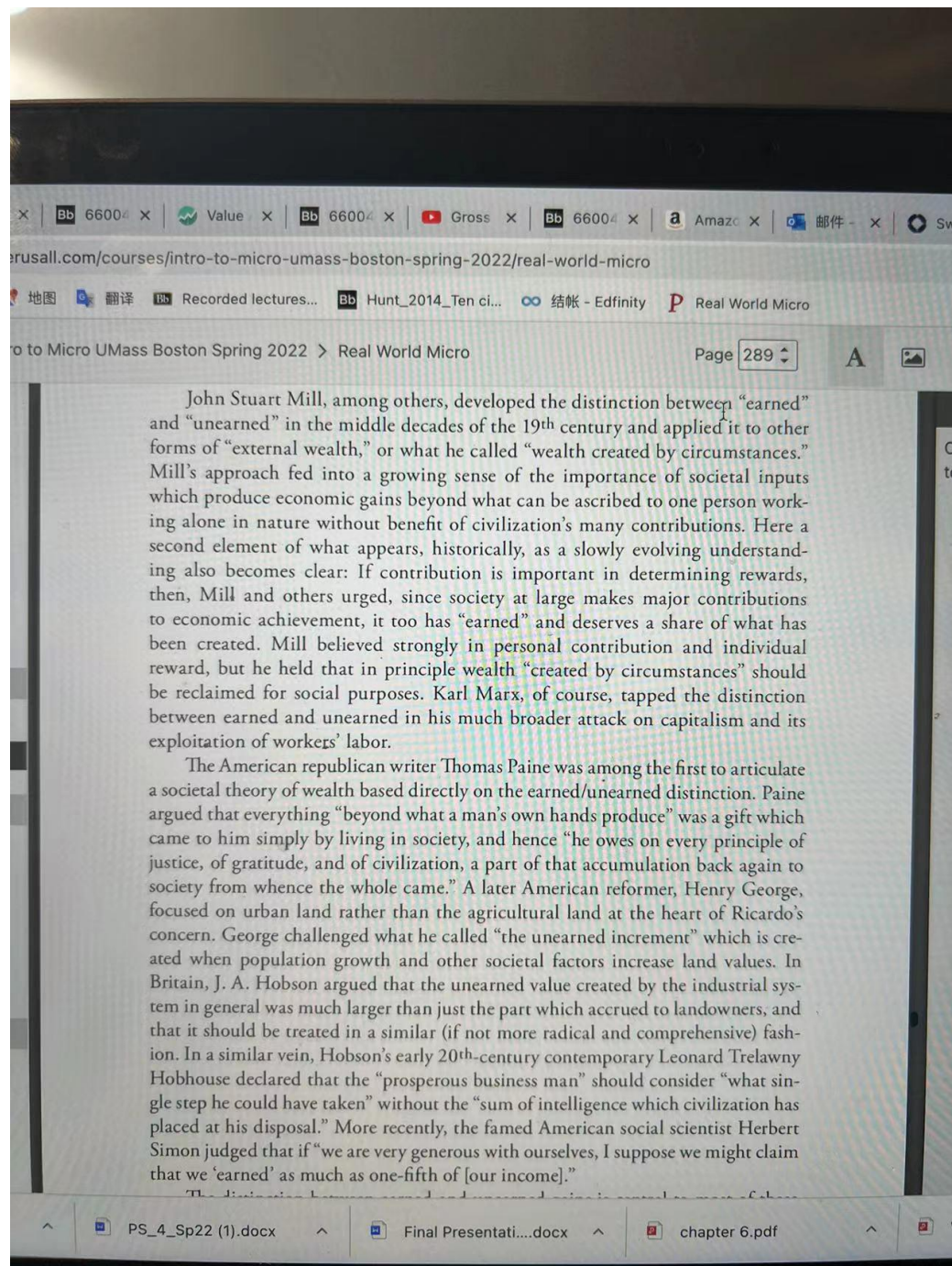
A straightforward but rarely confronted question arises from these facts: If most of what we have today is attributable to advances we inherit in common, then why should this gift of our collective history not more generously benefit all members of society?

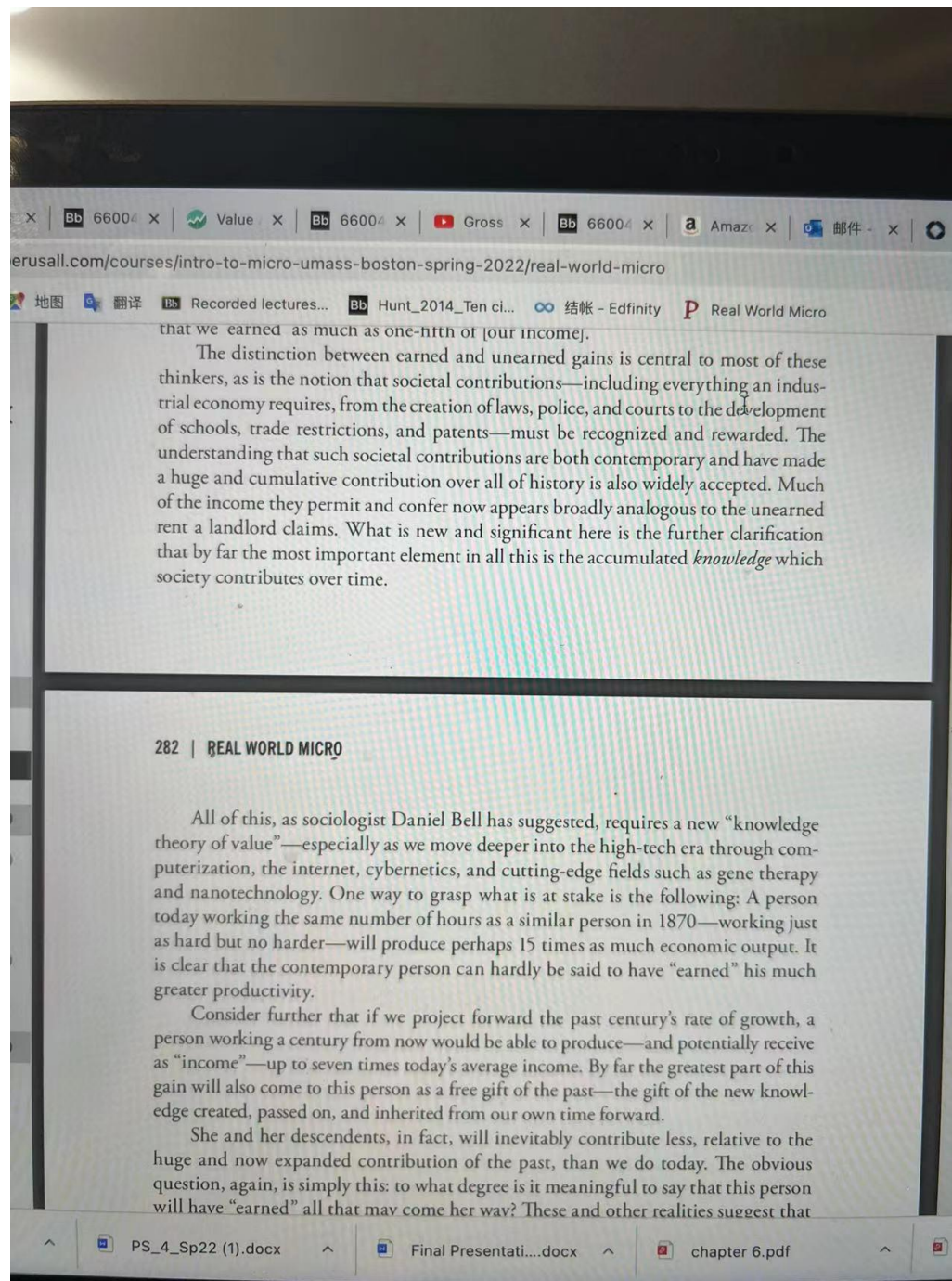
The top 1% of U.S. households now receives more income than the bottom 120 million Americans combined. The richest 1% of households owns nearly half of all investment assets (stocks and mutual funds, financial securities, business equity, trusts, non-home real estate). The bottom 90% of the population owns less than 15%; the bottom half—150 million Americans—owns less than 1%. If America's vast wealth is mainly a gift of our common past, what justifies such disparities?

Robert Dahl, one of America's leading political scientists—and one of the few to have confronted these facts—put it this way after reading economist Edward Denison's pioneering work on growth accounting: "It is immediately obvious that little growth in the American economy can be attributed to the actions of particular individuals." He concluded straightforwardly that, accordingly, "the control and ownership of the economy rightfully belongs to 'society.'"

Contrast Dahl's view with that of Joe the Plumber, who famously inserted himself into the 2008 presidential campaign with his repeated claim that he has "earned" everything he gets and so any attempt to tax his earnings is totally unjustified. Likewise, "we didn't rely on somebody else to build what we built," banking titan Sanford Weill tells us in a *New York Times* front-page story on the "New Gilded Age."







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that we earned as much as one-ninth of [our income].
The distinction between earned and unearned gains is central to most of these thinkers, as is the notion that societal contributions—including everything an industrial economy requires, from the creation of laws, police, and courts to the development of schools, trade restrictions, and patents—must be recognized and rewarded. The understanding that such societal contributions are both contemporary and have made a huge and cumulative contribution over all of history is also widely accepted. Much of the income they permit and confer now appears broadly analogous to the unearned rent a landlord claims. What is new and significant here is the further clarification that by far the most important element in all this is the accumulated *knowledge* which society contributes over time.

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All of this, as sociologist Daniel Bell has suggested, requires a new “knowledge theory of value”—especially as we move deeper into the high-tech era through computerization, the internet, cybernetics, and cutting-edge fields such as gene therapy and nanotechnology. One way to grasp what is at stake is the following: A person today working the same number of hours as a similar person in 1870—working just as hard but no harder—will produce perhaps 15 times as much economic output. It is clear that the contemporary person can hardly be said to have “earned” his much greater productivity.

Consider further that if we project forward the past century’s rate of growth, a person working a century from now would be able to produce—and potentially receive as “income”—up to seven times today’s average income. By far the greatest part of this gain will also come to this person as a free gift of the past—the gift of the new knowledge created, passed on, and inherited from our own time forward.

She and her descendants, in fact, will inevitably contribute less, relative to the huge and now expanded contribution of the past, than we do today. The obvious question, again, is simply this: to what degree is it meaningful to say that this person will have “earned” all that may come her way? These and other realities suggest that

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