

INEQUALITY



Nobody Wins

The Inequality of It All

The words equality and inequality have been thrown about so often that they bring a knee jerk sickening reaction. People just don't want to hear about it even if they recognize the various abuses and corporate influence over government policy.

Anything that is endlessly regurgitated for decades, passionately opinionated, and presented by inappropriate messengers can become ridiculously dull and inspire an instinctive shrug. This includes pushy religious moralizing babble by rich adulterous preachers, factional agenda by poorly educated silly demagogues like Al Sharpton, or appeals to income equality by college educated white children of the bourgeoisie.

Whenever their mouths open we want them shut immediately since we understand the background of hypocrisies, corruption, temporary fad following behavior, lack of education, superstition, and blatant factional interest. Decades of the passionate babble and counter-babble has trained us to ignore it as an irritating noise akin to one found on crowded subway platforms.

It doesn't help that Americans have to live in a hyper ideological great power that no longer has an ideological great power competitor. Cold war competition at least allowed for an extreme opposite point of view to be presented to the world and brought attention to blatantly obvious problems like race relations. However, the world wasn't faced with a "fair and balanced presentation".

Non-superpowers had to endure decades of a situation similar to a modern news talk show with two guests talking over each other (or Jerry Springer). The talking head equivalents, from Moscow

and Washington DC, poured at each other endless streams of factual data mixed with propaganda.

Factual positive domestic developments and enemy's factual shortcomings were of course exaggerated. Besides exaggeration, everything was viewed through an increasingly sharpened and distorting ideological lens.

On top of all these lies, the intelligence agencies of both countries waged endless information/propaganda warfare directed at the whole globe. After decades of this full orchestra brainwashing, one society finally collapsed and started dealing with reality.

After hitting rock bottom, Russians finally started to at least try to be objective when it comes to actual statistics, numbers, scientific findings, and facts on the ground. Basing national policy on faith based notions of the Soviet dream and way of life proved to be destructive. The Russian society however readily accepted American capitalism (to a higher degree than Germans or Japanese) since it was easy to replace one rigidly ideological construct for another. We'll see American gangster finance live in Eastern Europe long after it declines here.

United States did not undergo a similar transformation since they didn't have to. The tired Soviet talking head that Americans were shouting at, finally went blue in the face and had a heart attack. This was taken as complete affirmation of years of American propaganda as at least effective if not totally factual. Major players in the world (India, Japan, Brazil, Turkey, Poland) stood up and cheered like satisfied Jerry Springer guests while getting pats on the back for good participation. They stepped further from central command economic structures and dismissed concerns formerly brought by socialist theorists.

Obviously it's impossible to disentangle ideology from empirical evidence. Even objectivity and scientific agreements are just forms of consensual intersubjectivity. However, it's always possible to at least try to approach a situation like a disinterested anthropologist. It is certainly possible for a rich white British person to study poverty in India and describe it with relative accuracy without being an emotional "bleeding heart" or being accused of being in the pocket of the poor Indian lobby group.

An educated American can study the income inequality in Brazil or Mexico and describe the political situation without being accused of siding with a particular ideological faction in either of those countries. It is very possible to be relatively disinterested when describing observable reality for the purposes of history, empirical prediction, and research to be used by individual who craft policy. Americans definitely study and report on other societies like this all the time and even make predictions.

But what happens when say, academics in France or China observe the American domestic situation and conclude that the situation is negative and unhealthy? That's right, they are immediately considered either darned socialists, know-nothing bleeding hearts, and/or ideologues with their own anti-American agenda.

Even domestic Americans who give descriptions of unpleasant realities are scorned and rejected even if they are Ivy League respectable authorities on the subject (and in many case scorned because of that).

This is analogous to a person with a drinking problem accusing everybody who mentions it that they have an agenda, that they need a drink as well, that they don't know anything since they don't live in the person's house, or that they want the alcoholic to fail.

How did it come to this?

Well, Americans suffer from the same problem Soviets did in the 1970s when it comes to living within a rigidly ideological social bubble. Americans got so used to their own authorities blatantly using faith based ideological slogans, distorting facts, and being ridiculously one sided, that they started thinking all world's authorities do the same. The way a thief thinks everybody else steals, rigid ideologues are incapable of looking at opposing points of view without thinking it's not ideology as well.

This is best seen in the fundamentalist religious communities. The clergy had told the faithful that their lifestyle is moral for so long, that whenever the flock encounters people who live/think differently, it considers the different lifestyles as immoral and backed by a sinister agenda.

It is time to start differentiating between the blatant agenda pushing factional messengers (ex. Jesse Jackson and Dick Cheney) and milder subconscious agenda of people trying to be reporters and scientists. To this day, there are 20% of Russians who vote for the communist party and march in the streets and talk of how good it was during the slow rot in the 1980s. Similar ideological inertia will happen with the American elderly in the future after the current system transforms itself to survive in the modern world.

One might laugh at the notion of American propaganda (of the capitalist American dream) being as

extensively imposed as in the authoritarian Soviet Union. However, before the American version of glasnost became available with the internet, serious opposing points of view were heard even less by the general public. One never really heard national television news stations and radio shows seriously discuss Scandinavian style welfare, using more money on building real industry and jobs instead of more aircraft carriers to outspend Moscow, or creating a better quality of life than the Germans.

We must remember that serious discussion (on improving American quality of life, on solidifying socioeconomic standing of an average American, or creating Japanese level industrial workforce), did not materialize even after Soviet Union collapsed. Instead the only discussion that briefly bubbled up concerned the next plan of action for the American military.

It took a few paragraphs to prepare the reader for discussion about economic inequality in the United States. Why is the discussion of inequality even necessary? It's obvious that inequality among men exists naturally in any system. Western style hybrid capitalism as we know it is here to stay for years into the future in one form or another. Inequality found in United States however, stopped being sustainable a while back and is now the key cause of United States declining into the 21st century relative to rising powers of China and EU. The decline at this point, is unstoppable and the only discussion is whether it will be a slow gradual one (similar to Spain in 19th century), or a rapid one with potential social instability.

Yes, there were also the crushing economic burdens of being an expansionary ideological power and the transfer of heavy industry to competitors like China. These burdens pale compared to the root problem of monstrous inequality that allowed most of the deeper structural problems and

superficial symptoms to occur. We've heard people throw around rugged unresearched statements concerning how the top 1% owns half of the wealth and the like. Simultaneously, we've also heard the counter statements that the richest pay the biggest share of taxes. When such statements are thrown about, the discussion becomes another yapping Jerry Springer episode to tune out of. There is actual historical data constantly being collected, shown, and ignored by highly skilled people. Lets look at some.

In April of last year, one of the oldest and most read propaganda mouthpieces, The Wall Street Journal, decided it was a good idea to throw a few bones to its readers. The readers of course are the people who consider themselves financially independent "middle class" and not just the equivalents of delivery boys for the politically connected oligarchs. The readers are likely to include newer assimilated ethnic groups like Irish and Italians trying to catch up and overworking to get their 60-150 grand a year.

The oligarchs themselves would never turn to WSJ for their news and opinions. Summer of 2007 to summer of 2008 saw historic rises in gas prices and we saw people like Lou Dobbs throw daily fits concerning the illegal immigration. Occasional articles began to appear in nationally circulated media to cater to rising concern about "middle class" problems. Some of these articles increasingly began to include deep probing studies about structural and social infirmities of American civilization.

The source of the example article above comes from a very interesting Berkley study by Emmanuel Saez, a John Bates Clark Medal award winner in 2009 (Milton Friedman and Paul Krugman amongst the past winners), and possible influence on Obama's taxation thinking. The data in excel format is

here: (elsa.berkeley.edu/~saez/TabFig2006.xls).

We see a ridiculous graph that shows a few things not readily noticed due to the study's percentile breakdown of the top 10% of earners. The data shows annual wealth generation both including and excluding capital gains like stocks.

First, lets analyze the top 1% of the earners without looking at additional wealth they get through capital investments. The reported real income (adjusted for inflation) of richest 0.01% of the working population (14,000 oligarch households making an average of \$16.5 million a year with at least \$6.5 million annual income to be part of the group), grew 22% from 2000 to 2006. Average real incomes of the richest 0.1% of households (133,000 oligarch households making an average of \$3 million annually and needing to make from \$1.4 million up to \$6.5 million annually to be part of the group), grew 8.5%. To be included in the richest 1%, a household had to just pass the measly threshold of \$376,000 dollars a year. There were 1,333,249 households that made up most of the top 1%, were above 99% of American workers, but paled compared to 0.1% of the population. Many were the professional elites and not necessarily financial wizards and money changers.

This means that 10% of 10% of 1% of the richest households (1 out of every 10,000 households), were able to almost triple their annual earnings compared to 1,500,000 households who are also in the richest 1%. This is with capital gains EXCLUDED from earnings estimates. It is very telling that the elite professional and managerial class numbering over a million (represented by nationalist democratic capitalist faction) was not able to politically outspend less than 150,000 oligarch households in the last few elections. The attractiveness of financial capitalism allowed many nationalist democratic petty millionaires to be co-opted.

We can see how capital gains begin to matter exponentially once you start getting into 5% of the population. Capital gains only added 95 billion dollars in wealth for 90% of the population (split between over 130 million households) but they added 678 billion dollars to richest 10%. Incomes of the non-professional elite oligarch class, of those 0.1%+ jumped 60%. Capital gains only increased income of bottom 90% by just 2.3%. Republican leadership effectively convinced a large portion of 50-100 grand a year white collar demographic that they're working in their interest and that capital gains will actually unburden them financially.

It was remarkable that the same tactic always used on poorly educated religious blue collar demographic also worked on petty white collar. Even the petty millionaires, tied to expensive property bubble speculation, got politically seduced sufficiently to throw their financial support to the internationalist super rich.

In 2003, something historic happened. For the first time since 1928, the top 1% of the population surpassed bottom 99% when it comes to rate of wealth generation. Rate of wealth generation is a good indicator of the overall political power of a faction when it comes to dividing the limited resources of a nation.

Recently, government of Brazil has declared major success in reduction of poverty by citing that the top 10% went from owning 49.47% of annual national income in March 2002 to owning 46.31% in October 2008. Obviously we don't know to what degree the stock crash and capital gains reduction in fall of 2008 played into that. The fact of the matter is that Brazilian leadership, presiding over one of the most economically unequal societies on the planet, cited rise in share of

bottom 10% and decline in share of top 90% as a measure of progress. In United States however, the richest 10% began to earn 49.3% of national annual income in 2006. The GINI index of inequality shows that US has been becoming more like Brazil for the last 30 years.

US gap between the poorest and richest started off roughly in same category as other Western nations (even Norway) in the 1960s, and is now surpassing some South American nations in width.

Conclusion:

Political scientists consider extreme levels of socioeconomic inequality to be socially destabilizing in terms of factional infighting, violence, and authoritarian control of government organs by the elites for self enrichment. United States seems to have escaped social instability due to its great power status and most of its population living in an ideological bubble (and most people never traveling outside of the country). Only in relatively recent times, did the top 30% of the population begin to get exposed to other hybrid systems through increased international travel.

The peak of American civilization seems to have occurred in 1968-1973 period. Data points to 1973 as being the furthest extent of American industrial capitalism and real physical influence for most of its population. This strength even existed after being partially drained through resources devoted to colonial occupation.

The richest 1% expanded their share of wealth far less than the bottom 99%. The rise in prices briefly corresponded to real incomes. American workers were able to save and better their condition without constantly being a few steps behind either inflation or oligarchal factions. The

country had historically high degree of economic equality, the burden of natural resource imports was only in its infant stages, and American workers were at the peak of their political and purchasing power. This allowed them sufficient leverage to effectively compete with oligarch factions for influence over the federal government. Federal government was prompted to engage in a number of nationalist measures that benefited all instead of some.

The health of the American society caused a multitude of reversals for socialist causes in the imperial periphery of Western Europe. Reactionary forces in Europe were able to stabilize their societies since American workers demonstrated that American way of life is more effective than the socialist one. Many European states elaborated on JFK/Lyndon Johnson's great society promises to solidify state capitalism.

In United States itself, the oligarchs took a number of years to reorganize and stage a comeback. The last nationalist president, who really tried to preserve American way of life and appeal to all Americans instead of some, was Jimmy Carter. He tried to improve efficiency of American capitalism through deregulation, improvement of workers' rights, new energy policy, and actually leading imperial periphery through ideological example. He had the misfortune of being in control of the nation right after its civilizational peak.

Oligarchs effectively destroyed Carter's reputation and created a reactionary wave that relied on formerly apolitical religious rural population. Wedge issues, militarism, racial tensions, and rural resentment against the cities were exploited to put an appealing puppet (a former actor) in power. It took a few years to dismantle previous nationalist policies of Johnson and Carter. Once dismantled, the oligarchs began rapid expansion of their income in late 1980s that just accelerated

to the present day. In the first half of the 20th century, many oligarchs were rooted to the American soil since travel on propeller aircraft was dangerous and ships/trains took a long time.

That led to many early oligarchs to have nationalist tendencies, improve value of nearby land, and to focus on real industry. With increased globalization, the oligarchs of 1980s now looked at the whole world as their playground and their cosmopolitan sentiments had little allegiance to United States. Physical decline of US and the debt were irreversible and mass looting began in the form of moving factories and personal material wealth abroad to other growing societies.

The fall of Soviet Union accelerated the process and allowed the looting to go on longer. American dollar could now be pushed onto hundreds of millions of new people and the national debt could be expanded. The Bush administration was the most blatant show of force by the top 1% and this period saw the peak of oligarch fueled finance capitalism.

The resilience of the oligarchal faction is demonstrated by the fact their candidate only lost by less than 10% during the biggest economic crash since 1929.

Regardless of change in leadership, the petty millionaires now in charge, will only advance their own interests. Interests of the bottom 90% will only be satisfied if they are congruent with the nationalist industrial interests of democratic power elites.

Socioeconomic inequality created over the last 30 years has become self perpetuating and can only be reduced through decades of top down effort combined with growing industrial economy producing tangible exports. Efforts in that direction are unlikely until United States hits economic

rock bottom with corresponding social destabilization. Today the top 1% live in a country within a country.

The fragmented elite America (that John Edwards liked to talk about until the character assassination) is more advanced and freer than any country in Western Europe and with access to better medicine/education, cheaper land/energy, and more political control over their governance. US is structurally a more advanced South American society.

The average citizen thinks there is progress due to modern expensive cars, clothing, and housing mingling with the rest. The old Anglo ruling ethnic group has learned during the gilded age to not make the extent of their material wealth obvious. In that, they followed their South American counterparts.

The poorest least educated people are encouraged to spend a month's paycheck on a new gadget or brand name clothing. This is no different than a Soviet worker spending 2 months worth of salary to buy blue Western jeans from a black market in the 1980s. The only difference between Soviet Union's black market and gigantic electronics stores in today's America, is that the latter is legal. However, the electronics and clothing stores are similarly dominated by goods made in foreign factories and operated by oligarchs exploiting cracks in ability of American industrial capitalism to provide for people's needs.

This system is even less sustainable than the Russian one since it combines the Soviet infrastructural stagnation of 1980s with Yeltsin's gangster capitalism and economic inequalities of

1990s. Only rapid industrial/technological breakthroughs can make national decline safe and gradual.

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