

Inequality and the New Dark Ages

Clay Nelson © 29 March 2015

It wasn't so until modern times, but a lot can change in a lifetime. Certainly it has in mine. Some of it has been fascinating and life enhancing but in one aspect the change we have experienced has been anything but. Where it is concerned I feel as I imagine a Roman citizen felt after the fall of their empire. Life was stable one day. *Pax Romana* with its infrastructure and commerce was benefitting most citizens. The next day the Visigoths came to town leaving chaos in their wake. Life became a precarious struggle for all but the few elite. Constant wars, devastating plagues and extreme poverty became the rule for the next five hundred years. Times were dark indeed. My fear is historians will look back on the last fifty years and deem them the beginning of a new dark age in human history. Only it won't be the Visigoths that caused the fall but the 85 richest people in the world who possess the same wealth as the bottom half of the world's population. Their allies will be the rest of the 1% who own \$110 trillion of the world's wealth. That's 65 times the wealth of the bottom 50%. Not so long ago, it wasn't like this. What happened?

When I was a child I grew up in a family that could be supported with only one income. As Dad was initially a school psychologist and later a professor at a small teachers college it wasn't a large income. It was enough, however. My mother could choose to be a stay-at-home mother. Meals were simple but healthy. There was enough for new clothes to start the school year, a used pushbike for my eighth birthday, a few simple luxuries like a TV and a dishwasher and short holidays, usually staying with family and friends. My parents were able to save up to eventually buy their first home with some help the government gave veterans of WWII. The only debt they carried was car and mortgage payments. When banks first started trying to convince Americans to use credit cards, my mother, who handled the family finances, took great pleasure cutting up the many that came unrequested in the mail.

When I turned sixteen in 1965 I got my first paid employment. I worked in a restaurant washing dishes and preparing food for the short order cook. I earned ninety cents an hour. In the US, that would be worth \$6.71 today, only 54 cents shy of today's federal minimum wage. Lucky for me, I did not have to contribute those meagre earnings to help support the family. I could use them for those "necessities" a teenager thinks he must have like the latest Beatles album or a new baseball glove. But for those primary breadwinners who earn the minimum wage today, it will buy few necessities for their family. The most important thing that job did for me was motivate me to get an education. And so I did. When I entered the University of California at Santa Barbara in 1967 there was no tuition cost for in-state students and fees for non-academic expenses were only \$345 a year or about \$2500 today. I finished my four-year degree with no student debt thanks to part-time jobs, that single income my father earned and to a state that invested in education. That state commitment began to erode after Reagan became governor in 1968 and began cutting state support of higher education to lower taxes for those well off. Today an in-state student pays tuition of over \$14,000 a year plus fees at that same University. As a result of this escalating cost of higher education both of my children, who graduated in the mid to late 90s, began their careers deeply in debt for their college education. However, they were fortunate. Unlike many, both were able to find good jobs that

would eventually allow them to pay it off. My older, who is 40, just finished paying hers off. It helped that she is now a highly paid partner in a large law firm.

By 1974, when my first child was born, fewer and fewer families could survive on a single income. Salaries had begun to flatten out but the cost of living didn't. If minimum needs were to be met, both parents were forced to enter the workforce and a whole new industry, as well as a new family expense, was born of necessity—childcare. But, as expenses continued to climb against stagnant incomes for the middle and working classes, two incomes weren't enough. There were only two options left to make ends meet: working more than one job and/or using credit. Both are unsustainable. There are only so many hours in a day to work. Only so much credit is available and interest payments only make the budget tighter. Single-parent families found keeping up in such an economic environment even more impossible. As a result, women and children now make up a disproportionately large portion of those living below the poverty line.

While this is what was happening to the middle and working classes, what was happening to the highest earners in the US? In halcyon days of 1978, the typical male worker was making about \$48,000. The typical worker in the top 1% was making a paltry \$393,000. By 2010, that difference in income had drastically increased. The typical male worker was making \$15,000 less, while the 1% were making a more respectable \$1.1 million. By 2014, the top one thousand of the 1% owned one-fifth of all wealth. The top 20% owned 88% of it.

If I had grown up here, as I wish I had, I would have had a different experience, at least until the 1980s. Before then, New Zealand was one of the most equal countries in the world (although that equality didn't extend to all groups). In the two decades since the mid-1980s, the gap between the rich and the rest increased faster here than anywhere else in the developed world.

In that time, the average income of someone in the top 1% has more than doubled. In contrast, the average disposable income for someone in the bottom 10%, if you deduct housing costs, is *lower* now than it was in the 1980s. Today the top 10% of workers earns ten times more than the bottom 10% of workers.

Wealth is even more unevenly distributed. The top 1% own three times as much of the country's wealth as the entire lower half put together.

So what changed 30 years ago when this growing inequality began? During the Reagan-Thatcher years, the neoliberal economic policies of Milton Friedman and the Chicago School of Economics gained ascendancy. These policies known in New Zealand as Rogernomics included reducing government deficit spending, limiting subsidies, broadening the tax base by lowering taxes on higher incomes while raising them on lower incomes, removing fixed currency exchange rates, opening up markets to trade by limiting protectionism, privatising state-owned enterprises, and backing deregulation. These policies favoured capitalists by removing government impediments to the free marketplace they consider sacred. But governments were not the only impediment to a free market. So were unions. Neoliberals consider labour a commodity to be bought at the lowest possible price; thus the move to more and more contracted labour and outsourcing, but unions argue that labour should share in the

wealth it creates. To neoliberals, unions are an impediment to be abolished altogether or, at least, made ineffectual. Creating wealth for the shareholders is what matters. Laws began being passed by sympathetic governments to curtail the power of unions to organise, to bargain collectively and to strike. After the anti-union Labour Relations Act of 1987 and the Employment Contracts Act of 1991 became law, labour membership declined 50% from 1985 to 1998. In 2013, union density was only 19.4% of the workforce, but that is before The Employment Relations Amendment Bill, the so called “Tea Break” Bill, came into effect 29 days ago. It further weakens the ability of unions to organise and do collective bargaining.

How does our union density compare with other OECD countries? It is presently ranked 8th which sounds pretty good until you look at those above us. Norway has 53% density while Finland, Sweden and Denmark are at about 67%. Those countries have rejected the tenets of neoliberal economics. Is it only a coincidence that income inequality is much lower in those countries than ours? I think not and the International Monetary Fund (not just the Cuban People’s Front) agrees with me.

In our last election, the winners boasted of our “rock star economy.” It may be, but only one for those at the top. It isn’t one for the 250,000 children living in poverty. It isn’t one for those having to work two or three minimum wage jobs on contracts to support their families. It isn’t one for those who are on an ever-lower benefit that keeps being made more onerous to get. It isn’t one for students with large education loans and no job. It isn’t for those paying ever-higher rents for often substandard, unhealthy homes. It isn’t one for young families that can’t get into the housing market.

It is an economy that is designed to benefit only those who are already doing well. It is one that is doing nothing to slow or reverse the ever-growing gap between the rich and poor.

The situation is getting so dark that even the wealthy are beginning to get concerned. It is hard to make money in a consumer-based economy if consumers can’t afford to consume. The International Monetary Fund and the OECD have various recommendations for policy changes that countries can take to begin turning this around, but at present they are not being considered here. The reason might be found in a recent study done by Martin Gilens of Princeton University and Benjamin Page of Northwestern University. American University professor Allan J. Lichtman writes:

“The analysts found that when controlling for the power of economic elites and organized interest groups, the influence of ordinary Americans registers at a “non-significant, near-zero level.” The analysts further discovered that rich individuals and business-dominated interest groups dominate the policy-making process. The mass-based interest groups had minimal influence compared to the business-based interest groups. The study also debunks the notion that the policy preferences of business and the rich reflect the views of common citizens. They found to the contrary that such preferences often sharply diverge and when they do, the economic elites and business interests almost always win and ordinary Americans lose.”

From my experience in supporting the Living Wage Movement opposed by the Chamber of Commerce and in opposing the Trans Pacific Partnership Agreement supported by the New Zealand International Business Forum, the economic elites in New Zealand have significantly more influence than ordinary Kiwis. This imbalance of power between the haves and have-nots is having a deleterious effect on our democracy. Disempowered people don't vote, as ever-lower voter turnouts prove. They don't make submissions to shape laws and policies. They don't protest if they feel nothing will change.

But it isn't only democracy that is undermined by inequality. It has been demonstrated that mental health, life expectancy, crime, prison reform, education, homelessness, the environment, and human rights are all negatively impacted by extreme inequality. There is not just a human cost, but an economic one as well. It has been calculated that in the UK inequality costs £39 billion every year. That is an astounding figure considering the UK spends £40 billion on defence.

I'm not sure what we as Unitarians can do to push back on the ever darker age enveloping us, but I can't accept TS Eliot's prediction that if this is the way the world ends we will go out not with a bang, but a whimper. I think we should be making as much noise as we can and telling the world who is disturbing the peace: Auckland Unitarians Standing on the Side of Love. Here are a few ways. We could encourage people to vote, as one Facebook posting I saw this week suggested, for politicians who piss off the rich. We could support the Living Wage Movement financially and with our time. We could learn about the benefits to all of instituting a Universal Basic Income in New Zealand. We could support the work our unions have done and are still trying to do in an hostile environment and join one if we can. We could oppose, at every opportunity, corporate exploitation of the environment with our government's consent. We could make our presence felt at any marches and demonstrations supporting economic justice. We could make submissions as a community opposing every issue that would make our age darker because of inequality.

It won't be easy for us as a community of primarily well-behaved middle class pakeha to make enough noise to get arrested for disturbing the peace. Our standing and privilege in the culture cuts us off from connecting to those most devastated by inequality. It blinds us to the fact that we are all in the same boat and it is sinking. Raising our awareness requires acknowledging that we are likely to unfairly judge them by our middle class standards to justify not getting involved on theirs and our behalf. Yet, to not to is to deny all that we affirm as Unitarians. We then become another casualty of inequality.