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Inequality Battles

A Permanent IOU

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The results are in! – inequality is getting worse. Or at least some in power are now mentioning it above a whisper, from Fed Chairman Janet Yellen to Bank of England governor Mark Carney. It's not just Thomas Piketty, Occupy movements around the world, or Oxfam who earlier this year encapsulated the disparity of our new old world in the catchiest of sound bites: 85 = 3.5 billion. Yes, that's 85 as in 85 people.

Inequality wasn't that hard to see in the past, but maybe a few more power players are realizing the perils of a world permanently in hock. Buy why the top-tier attention now? It seems greater inequality may be a harbinger of recession, and keeping the economy in the doldrums. It's never altruism or basic human decency that fuels government worry, it's the economy and the relentless pursuit of growth at any cost. But maybe we should be concerned because of the sheer anguish and dread in so many people's lives.

Perhaps the most damning statistic is UNICEF's Report Card 12, citing that "2.6 million children have sunk below the poverty line in the world's most affluent countries since 2008, bringing the total number of children in the developed world living in poverty to an estimated 76.5 million." That's just the *developed* world. One needn't look past our own backyard to see the ravages of an economic system that cares little for the least among us.

A closer look at the UNICEF report shows that child poverty is increasing in a majority of surveyed OECD countries. In Ireland and Greece, countries with major austerity programs, child poverty has increased by more than 50 percent since 2008. In the U. S., child poverty increased in 34 states since the beginning of the crisis, where more than 24 million children live below the poverty line. Of course, it's not a "crisis" for everyone, when the Forbes 500 has wealth measured in the trillions or the Dow Jones has doubled since the beginning of the "crisis." About increasing American poverty, Chery and Mercier succinctly noted that "The middle class have become poor, and the poor are now destitute" (Life on $2 a Day, Sept. 9).

If one dares to look, we can also see that Ebola is not just a health issue, but a problem of poverty. Basic healthcare facilities are lacking in one of the most impoverished regions in the world, further ravished by years of civil war. If an Ebola type virus had appeared in the U. S. in 1865, it would have wiped out more lives than four years of war, and made today's affluence impossible. Indeed, good health is a function of zip code.

Scads of data quantify the correlation between lack of wealth and performance. Is it any surprise that fewer students from poorer backgrounds go to university (Schofield, 2006); that reading skills of children whose parents are jobless are less than average (Hill, 2005); that death rates among the poor are 3 times higher (Burke, Kenaghan, O'Donavan, & Quirke, 2004)? Or that increased poverty is directly related to increases in cancer and stroke, a correlation unchanged since the late 19th century (Dorling, Mitchell, Shaw, Orford, & Smith, 2000)? The data has been there for years, if not ages.

Once again, we see that development is a function of basic needs, and well-being a result of equality and access to resources. Paul Krugman has been documenting the disparity for decades, and puts the blame squarely on the one percent. In a review of Thomas Piketty's ground-breaking book on inequality, he writes that a new Gilded Age has been growing since the 1980s and that one has only to look at the tax records to see the reasons. It's basic math when the rich get more (or pay less) and the poor get less (or pay more). Any way you slice it, the rich keep getting richer, far beyond any rational need.

It's easy to cite numbers but just as easy to see the reasons: self-interest and excessive individualism rule, where life has become a game separated into winners and losers. There are some obvious causes, such as low wages, unfair tax laws, two-tier user-pay systems. Old-fashioned usury taken to extremes in modern banking, the worst of which are the new Internet loan companies cropping up at seedier and seedier IP addresses, using smart-phone technologies to offer loans in minutes at rates up to 5,000% a year. Loan-sharking, peer-to-peer style. Actually, they give loan-sharking a good name.

Better credit solutions do exist, but are hard for the poor to access. According to classical capitalism, the profit margins are supposed to *decrease* with better competition. Too bad the regular guy can't avail of the almost zero percent interest the Fed offers! Small margins multiplied by millions of customers are being used to advantage by the few. Everyone's favourite friendly banker, George Bailey, is spinning in his grave.

Furthermore, as the poor get poorer, debt worsens. Started by an enterprising American automobile industry in the 1920s, credit seemed the obvious solution to ease the burden of a purchase price beyond the reach of most buyers – up to 20% of family income as noted by Daniel Boorstin in his analysis of a new consumer culture, *The Americans: The Democratic Experience*. Facilitated by GM, Ford, and other niche lending cards, credit quickly became entrenched as the currency of our times, and is now worth more than $3 trillion, more than a quarter of which is "revolving," i.e., the ongoing credit card type. According to the U.S. Census Bureau, almost 1.5 billion credit cards were in circulation in 2008. What's more, some young-adult households spend almost 25% of their income on debt repayments. And then there's store "loyalty" cards with the worst rip-off rates up to 30% and so-called "rent-to-own" scams (which can end up costing more than 3 times the purchase price). It's hard to play the game when you're always behind.

But how did our so-called enlightened society get caught up in the rip-off money game? It's everyone's problem when we owe too much, the proverbial straw that breaks a beleaguered consumer's back. According to the old banking trope attributed to John Maynard Keynes, "If you owe your bank a hundred pounds, you have a problem. But if you owe a million, it has." When is inequality everyone's problem?

Unfortunately, you won't see inequality as an election issue any time soon. As Krugman further noted in *The Conscience of a Liberal: Reclaiming America from the Right*, "the typical voter has a substantially higher income than the typical person, which is one reason politicians tend to design their policies with the relatively affluent in mind." John Kenneth Galbraith said much the same in *The Affluent Society*, which documented a growing disconnect between wealth and society in the 1950s, "Present laws are notably favourable to the person who has wealth as opposed to the individual who is only earning it." It's hard to keep a straight face about money problems for the poor when election spending is in the billions.

Ironically, election results and especially close ones can be won by the weather, where bad weather favours the moneyed class, who have better access to transportation.

It's time to let the sun shine and make a difference. A real difference in the lives of others. Inequality is THE problem of our times.