

ECONOMIC JUSTICE IN THE LAND OF THE FREE
by Forrest Gilmore, © 2009

“We have always known that heedless self-interest was
bad morals: we now know it is bad economics.”
- Franklin Delano Roosevelt

From a religious perspective, we have been taught that it is our moral charge to help those in need, those less fortunate than ourselves. The prophets of the Hebrew Bible – Isaiah, Amos, Micah – have challenged us to such generosity. Of course, Jesus has, too. And so has the Buddha and Muhammad and countless other spiritual teachers throughout the world.

Influenced by these teachers, I have long believed in supporting people in poverty for no other reason than it's the right thing to do. You help people in trouble. Likewise, being a citizen of our nation, whose Constitution calls our government to be dedicated to the general welfare of its people, I believe our country has a similar ethical obligation.

But like all of you, I have heard what seems to be the conventional economic wisdom of the day – that government should not help those in need as it hurts our economy and creates a downward spiral of poverty. If such a statement were true – that in our attempt to help, we only made things worse – that would seem to me to be immoral, too.

So, it's important for us when striving for economic justice, that we enact changes that not only provide short-term help, but which actually reduce long-term poverty.

When speaking about economic justice, I think it's easy for many of us to focus on the poor. Yet, how many of us here have not been affected by the economic downturn our nation is now experiencing? I know in this room some of you have lost your entire

retirement savings, some of you have been laid off and are unable to find work, some of you are without health insurance, some of you are worried about whether you will be able to keep your home, some of you are overwhelmed by debt as you struggle to simply make ends meet. Well-educated, middle class people, many of us are, finding ourselves under threat by the mess our nation is now in. I think that's important to remember – because when we view economic justice as helping the poor, it becomes about them, because who wants actually to admit that they're poor. Thinking proactively, I believe economic justice is actually more about the middle class – helping those in the middle class stay there, and helping those below the middle class get there.

For me, we can best measure how economically just our society is by the gap between the wealthiest and poorest in society, or what could be called income inequality. At its most direct, a smaller gap or less income inequality means a stronger and larger middle class. Less income inequality has been linked to greater social mobility, the epitome of what we value as Americans. Basically, the Horatio Alger story. If you work hard enough, no matter what your circumstances, you will succeed. But less income inequality also links to better living standards for more people, better education, reduced crime, better health, better family planning, a more representative government, a happier citizenry, and of course, fewer people suffering the ravages of poverty. It also could be and has been argued that less income inequality actually promotes economic prosperity, driving demand for the fundamentals of our society like food, clothing, housing, transportation, communications and health care, and also keeping our basic financial institutions sound. Committed as a nation to promote the general welfare, it seems that a narrower gap between the richest and the poorest would be a powerful way to serve the common good.

So, as Americans, citizens of arguably the richest nation on earth, how are we doing? Unfortunately, not so good.

Income equality is as high as it has been in the United States since just before the Great Depression. And since 1983 or 1984, despite significant growth in the economy, we have steadily seen this income inequality grow larger and larger.

The value of the output of a typical American worker has risen almost 50% since 1973... yet that has not translated into an increase in wages. If gains in productivity had been shared equally – the typical worker's income would be 35% higher. And yet, median household income has remained virtually flat, increasing a mere 0.7%/year since the early 80s. That number can be misleading, however – household income has increased primarily because more women are in the workforce. When we simply look at the earnings of men working full-time in 2005, their income was actually lower than in 1973. And when we look at men aged 35-44, their incomes are actually 12% lower than 1973.

So, where's all the wealth going? Right now, the concentration of wealth in our nation is as high as it was in the 1920s. The top 10% owned 43.6% of the wealth in the 1920s and own 44.3% now. The top 1% owned 17.3% of the wealth in the 1920s and own 17.4% now. Since the 1970s, only the top 1% has done better than it did in the generation after World War II. However, the ultra rich have done the very best. Since 1973, the top tenth of a percent grew their incomes fivefold (500%) and the income of the top hundredth of a percent grew seven times. The average pay of CEOs jumped from 40x the income of the typical American worker to 367x. The number of income-adjusted billionaires grew from 13 in 1968 to 160 today. Compare that to the 1920s, when there were 32. Meanwhile, corporate profits have soared, reaching their highest

level as a percentage of our Gross Domestic Product since 1929.

But it hasn't always been so. America experienced a Golden Age for the Middle Class, following World War II. Economic historians Claudia Goldin and Robert Margo called it the Great Compression, as America became a primarily Middle Class nation with a much more equal distribution of income. By the mid-50s, the real income of the median family doubled from 1929, and it doubled again by 1973. Plus employers began to offer benefits like retirement plans and health insurance. And the government also offered a social safety net, including unemployment insurance and social security. Many workers also felt a sense of long-term security, working in their union jobs. At the same time, the real after-tax incomes of the richest 1 percent of Americans were 20 or 30% lower than they had been in the 20s... and the really rich (the top 0.1%) were less than half what they had been.

What led to such a sudden change in income equality after World War II? And why didn't that equality continue beyond the 70s? It certainly wasn't about prosperity, because both eras saw significant economic growth.

In short, the government changed its policies...

Many of you will remember, while running for President, Ronald Reagan repeatedly told the story of a woman from Chicago's South Side, what he called a welfare queen driving a welfare Cadillac. He said, "She has eighty names, thirty addresses, twelve Social Security cards and is collecting veteran's benefits on four non-existing deceased husbands. And she is collecting Social Security on her cards. She's got Medicaid, getting food stamps, and she is collecting welfare under each of her names."

His story has remained a powerful image of our fears, often racist fears, of what can happen when society seeks to help the impoverished. We will be cheated, lied to,

stolen from, ultimately supporting the laziness and greed of American society.

The only problem – it’s a lie. Reagan’s story turns out to be false. It never happened. No welfare queen, no welfare Cadillac. In fact, there is no evidence of widespread cheating in the system. Rather, the welfare queen was a carefully constructed image created to scare the rest of us into allowing the rollback of the progress created by Franklin Delano’s Roosevelt’s New Deal.

Following the Great Depression, FDR initiated a series of government policies that led to the greatest sharing of America’s wealth in our society. He did so in a variety of ways, including the regulation and insuring of banks, the creation of a strong social safety net, including the minimum wage, unemployment insurance and social security, the support of a worker’s right to organize and strike, and the holding down of income for the very wealthy with the expansion of progressive taxation on the rich and the wage controls of World War II.

Now, this is fascinating – we’ve been told over and over again that all these things would actually hurt the economy, that to enact them would risk economic peril.

And yet, as economist Paul Krugman writes, “The fact is that none of the bad consequences one might have expected from a drastic equalization of incomes actually materialized after World War II. On the contrary, the Great Compression succeeded in equalizing incomes for a long period – more than thirty years. And the era of equality was also a time of unprecedented prosperity, which we have never been able to recapture.”

So, at a minimum, we can assume that FDR’s policies did not hurt the economy, as we’ve never had it so good both in terms of income equality and prosperity. And we may also be able to infer that the New Deal may have not only not hurt, but may have

actually helped.

It's fascinating to note that following World War II, we did not see a major change in income equality in our nation until the mid-1980s – when we began the experiment of dismantling the New Deal. In a very short period, we saw a dramatic shift of income upwards with a widening gap between the richest and the poorest and a growing insecurity for all those in the middle. We saw this shift despite the economic growth our nation mostly experienced, and despite the fact that none of our Western European counterparts experienced even close to a similar decline. And while the wealthiest among us greatly benefited from these policy changes, the bill has finally come due as the middle class is now on the verge of collapsing, and the economy with it. In my opinion, and the facts seem to bear this out – this entire collapse is due to the government pressure over the last 30 years to eliminate the advances of the New Deal.

As FDR presciently said, “We have always known that heedless self-interest was bad morals: we now know it is bad economics. Out of the collapse of a prosperity whose builders boasted their practicality has come the conviction that in the long run, economic morality pays... [A]s a nation, we all go up, or else we all go down, as one people.”

So, in these words, I find a renewed vigor to support and expand the policies of our nation that fundamentally lead to greater income equality – to improve our social safety net, to further regulate our financial institutions, to recommit to a worker's right to organize, and to expand progressive taxation to the richest among us... I believe we also must address the most challenging economic issue of our day... insurance for health care. From a moral perspective, it's unacceptable to be the only advanced nation without universal health care. From an economic point of view, universal coverage

would build a more secure middle class.

As Americans, seeking to live out the American dream, let us remember that promoting the general welfare is not only good morals but also good economics. And it is my challenge and my charge to all of us, both morally and economically, that if we find these assertions to be true, we must as a people stand up for them. May it be so.