

CSAI – Escalating Inequality

Session #8 – Winner Take All?

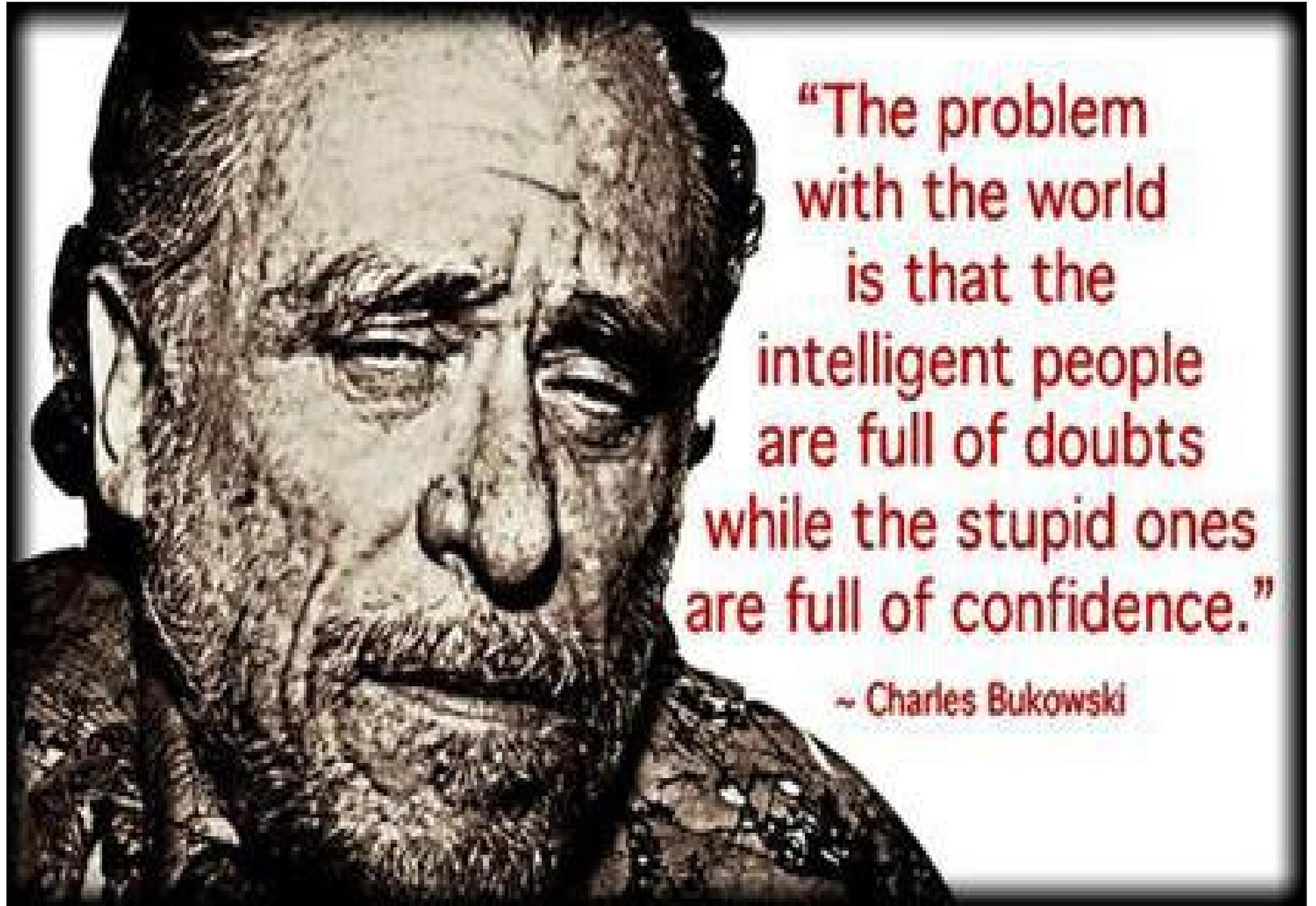
UUCF – January 11, 2016

Presenters: George Strawn and Rod Paolini



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nothing can be changed until it is faced.

(James Baldwin)



“The problem with the world is that the intelligent people are full of doubts while the stupid ones are full of confidence.”

~ Charles Bukowski

More Food for Thought

You can't start by asking, "is this possible. You start by saying "this is necessary." - Marjorie Kelly (Democracy Collaborative)

Only the small secrets need to be protected. The big ones are kept secret by public incredulity." --Marshall McLuhan

"The oppressors most powerful weapon is the mind of the oppressed." - Stephen Biko

"I have almost reached the regrettable conclusion that the Negro's great stumbling block in his stride towards freedom is not the Ku Klux Klanner but the white moderate, who is more devoted to 'order' than justice." - MLK

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- Bi-annual selection by UU General Assembly
- Usually leads to “Statement of Conscience”
- Four year duration (3 plus SOC)
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 - Ethical Eating (2008; 2011 SOC)
 - Creating Peace (2006; 2010 SOC)

UUA CSAI Charge (Part 1):

“Study root causes of inequality, such as “

- corporate globalization,
- “free trade,”
- outsourcing,
- privatization,
- tax shifting and evasion,
- subsidies and bailouts,
- monopoly,
- suppression of labor,
- money in politics,
- “externalizing” social and environmental costs,
- “free market”/libertarian ideologies,
- deregulation,
- unlimited income/wealth.

UUA CSAI Charge (Part 2):

"Related Prior Social Witness Statements:"

- Amend the Constitution: Corporations are not Persons and Money is not Speech (2013)
- Raise the Federal Minimum Wage to \$10 in 2010 (2008)
- Single-Payer Health Care (2008)
- End Present-Day Slavery in the Fields (2008)
- Support Immigrant Justice (2006)
- Support for the Millennium Development Goal One: Ending Extreme Poverty (2005)
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Review of our progress so far

What is the problem? (1)

How serious is it? What are its consequences? (2)

What's (really) causing it? (3, 4, 5)

What's been tried and what came of it? (6, 7)

Common barrier - 3 stage challenge

1) Catch-22 - resistance to even introducing reforms

- preserve flexibility
- prevent harm to SIG clients

2) Dilution - watering down of reforms that do get introduced

- McCain/Feingold is a good example

3) Reversal - court (particularly the Supreme Court)

- blocks even watered-down reforms
- recent much-belated admission by Kennedy that disclosure doesn't work
- universal condemnation of restricting corruption to quid pro quo instances

Conclusion (?): legislative/legal route has been ineffective and shows little promise in the future

Related Public Interest Advocacy Groups

- Public citizen,
- Common Cause,
- Move to Amend,
- United for the People,
- People for the American Way,
- National Popular Vote,
- RootStrikers,
- United Republic,
- FairVote
- RootsAction
- MoveOn.org ?
- Daily Kos?
- Represent.US

Once we have sharpened our focus, we can explore working with/through these (and others).

Possible Seminar Series Additions

- **Free trade pacts, globalization** (from CSAI) - TPP
- seems like it might be the next step to the 3 plus decade of corporate control spelled out in WTAP, Republic, Lost, several Reich books.
- **Austerity** - a consequence of escalating inequality.
Debt, debt Jubilee, MMT
- **Sharing Economy** - Uber, Airbnb, etc. - reducing business costs, but at what price, to whom?
- **Workplace automation** - shifting costs from business to the public
- Focus on relevant **books**: Winner-Take-All Politics, Republic, Lost, several Reich books, etc.

Part 1

Escalating Inequality: Winner take all?

George Strawn

References

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- *The Influence Machine* (tim) by Katz
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- *Coming Apart* by Murray
- *Average is Over* by Cowen
- *The American Dual Economy* by Temin
- *Humans need not apply* by Kaplan
- *Republic, Lost* by Larry Lessig

Thesis

- Escalating inequality in 21st century America is (at least in part) the result of certain *political changes* that began in the 1970s and of continuing technological developments
- Understanding these changes may help us pursue the deescalation of (or even the decrease of?) inequality

Outline

- The rise of business influence on government
- The results: business- and one-percent-friendly public policy and escalating inequality
- The rise of globalization and automation

A little history

- Inequality has been with us since the *agricultural* revolution, which began 10,000 years ago
- Peasants and royalty were the norm before the *industrial revolution* (which commenced in late-18th century England)
- The industrial revolution gave rise to: more wealth than was previously thought possible; even more inequality (as measure by the distance from top to bottom); a *middle class*, which created "increased equality" (changed a bi-modal income distribution into a uni-modal one)

A little more history

- The late 18th century also marked the beginning the *democratic revolution* (the spread of democracy from England to the US and France)
- Although Hamilton envisioned the spread of the industrial revolution to the US, Jefferson and his followers delayed US industrialization
- Our founding fathers (even Hamilton) didn't foresee the emergence of *industrial capitalism* and *multinational corporations*

Business and government

- "The business of America is business"
- The period from the New Deal to the Great Society added *economic welfare* to the duties of the American government
- Beginning in the early 1970s, business and its political allies launched a plan to "re-center" America on business

Business influence on government

- Corporate lawyer Lewis Powell issues a "call to arms" in 1971 in the *Powell Memorandum* to the US Chamber of Commerce. He is subsequently appointed to the Supreme Court by Richard Nixon.
- By 1978, the business lobby "consolidates its control of" Washington (according to wtap)
- The US Chamber of Commerce today represents the epitome of business lobbying expertise and success (according to tim)
- Globalization and automation (as discussed below) have spurred the formation of business-friendly policy

Business- and one-percent-friendly public policy

- Large corporations and their owners (aka the one percent) have well organized, well funded *lobbying power* (including political spending, policy formation, and court combatants)
- Workers, consumers, debtors, patients, the environment, and the like have considerably less lobbying power
- Perhaps America has become a democracy of its supercitizens rather than of its citizens

Solutions?

- WTAP suggests that depressions like the 1930s and recessions like 2008-12 are "required" to enable "democratic reforms" (eg, social security in the 1930s, health care in 2010s)
- Medicare/medicaid in the 1960s would appear to be an exception that proves that rule
- Are there other ways, short of revolutions?

Globalization history

- The factories of the industrial revolution created a great demand for raw materials and for markets
- The transportation and communication revolutions of the 19th (steamships, railroads and telegraph) and the 20th (airplanes, container shipping and the Internet) centuries enabled a vast increase in the mobility of goods, services, labor *and* capital
- Government policies of "free trade" (free of tariffs) aid exporters (aka multinational corporations) and challenge domestic industry

Multinational corporations

- Of the 100 largest entities in the world, about half are countries and half are multinational corporations
- "The US empire is one of Multi-National corporations and International Trade Deals."
- TPP is the latest international trade deal, which will certainly benefit US multinational corporations (and proponents say will benefit everyone)

Information Technology

- The creation of microelectronics and fiber optics have created computers and networks that are 1000x more powerful and 1000x cheaper than before
- Eg, gigaflops computers for \$1,000 superseding megaflops computers for \$1,000,000, and multi-gigabit/sec networks superseding megabit/sec networks
- Comparable advances in software have occurred, and IT applications utilizing *artificial intelligence* techniques may bring on an *automation revolution*

Hyper-inequality tomorrow?

- The automation revolution may eliminate many, perhaps most, jobs (by mid-century?)
- How would our consumer-based economy function if the consumers are jobless?
- At what point might our supercitizens take actions that could turn citizens back into consumers?
- Would we find meaning without jobs?

Part 2

How the Rich became Richer
-and stay that way

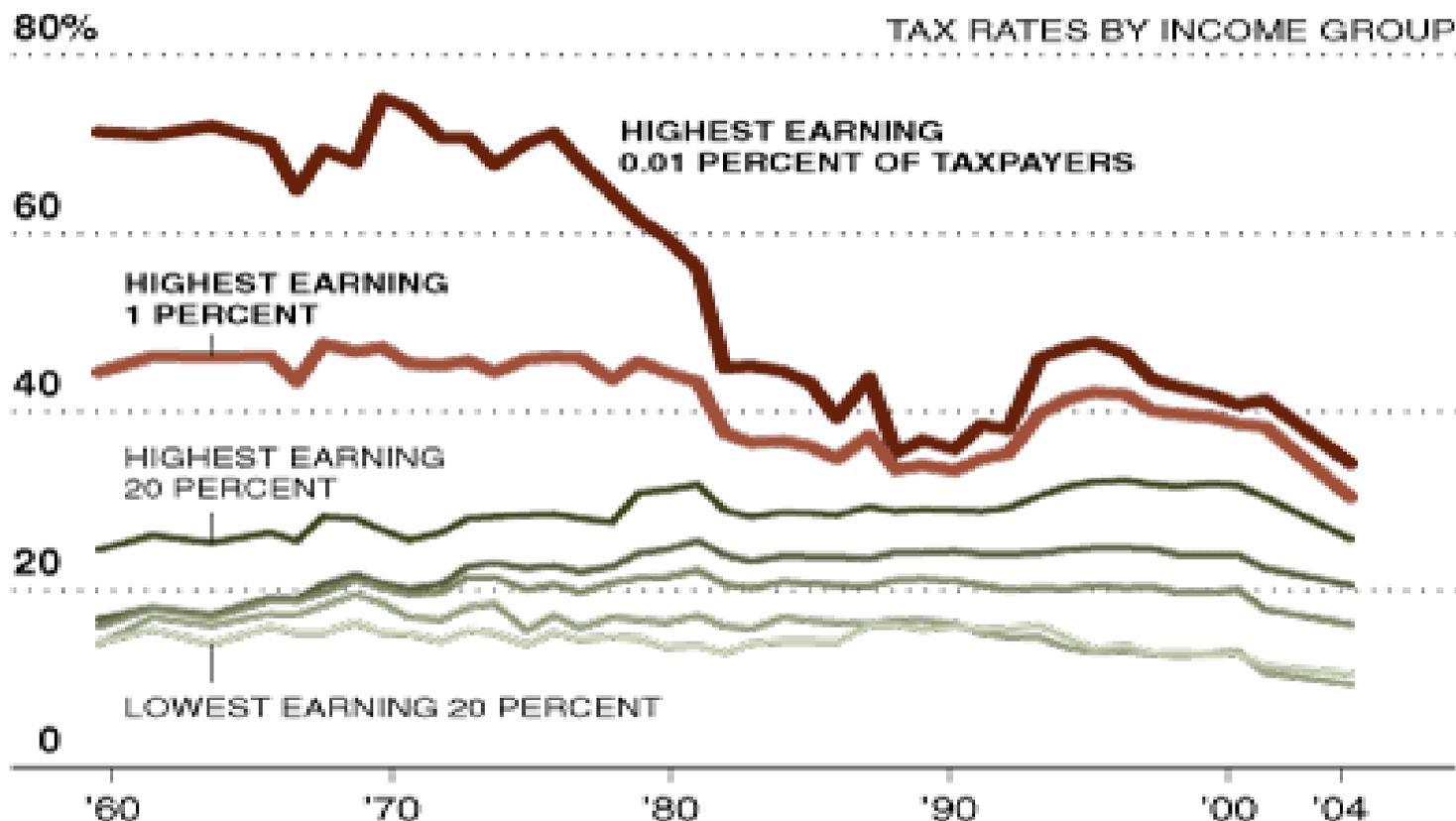
Rod Paolini

Tax rates on the rich have fallen dramatically

- **Revenue Act of 1978**
- **Windfall Profits Tax**
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- **Bush tax cuts of 2001 and 2003**

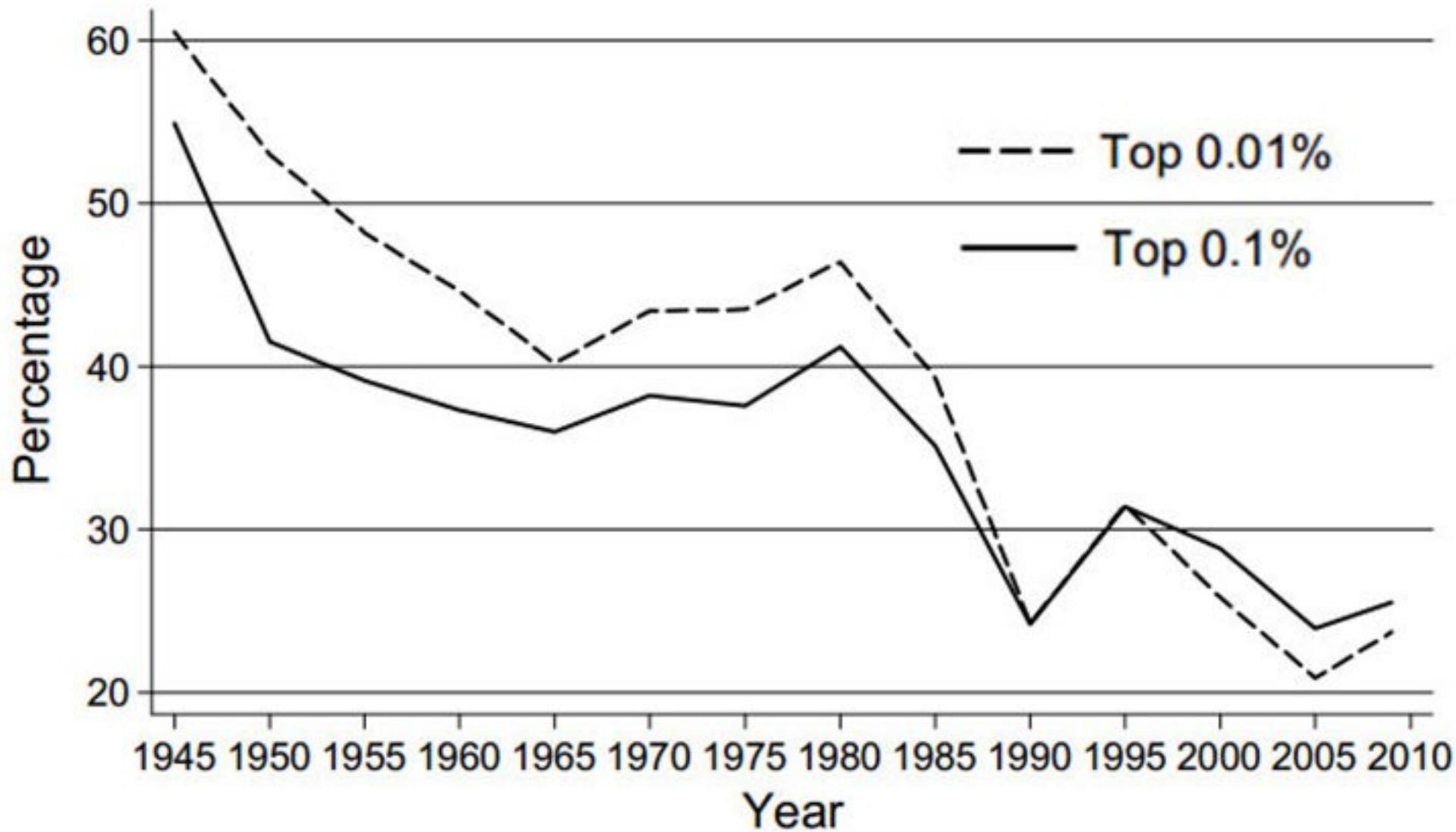
Lower Taxes for the Highest Earners

Since the 1960s, the total federal tax rate has fallen for low earners, risen for relatively high earners and fallen significantly for very high earners.



Numbers include income taxes, capital-gains taxes, payroll taxes, estate taxes, gift taxes and corporate taxes (which are effectively paid by stockholders). 2004 tax rates are based on 2004 tax law applied to 2000 income adjusted for income growth.

Average Tax Rates for the Highest-Income Taxpayers, 1945-2009



Source: CRS calculations using Internal Revenue Service (IRS) Statistics of Income (SOI) information.

Rich are able to avoid taxes

- Loopholes
- Complexity of their accounting methods relative to the tax code; better accountants
- Failure to collect taxes due to the reduced resources of the Internal Revenue Services.
- The defense of the status quo on taxes since 1992

Corporate Welfare

- In 2009, the Cato Institute estimated that the U.S. Congress spent \$90 billion on “corporate welfare.” These “welfare benefits” are the result of lobbying Congress.
- Definition: corporate welfare: Financial aid, such as a subsidy, provided by a government to corporations or other businesses.
- Consequences:
 - Lucrative projects and higher salaries for executives
 - Greater pressure to lower taxes and reduce public programs, e.g., infrastructure, health care

Stock options as a form of salary for CEO and other top managers

- Some companies let executives swap old option shares for new, lower-priced shares when the company's shares fall in value.
- Options can even prompt top managers to manipulate the numbers to make sure the short-term targets are met.

Consequences

- Encourages executives to focus on short-term and ignore the long term interests of the shareholders, the employees, the locale, and the environment.
- Decrease in investment in research and capital
- Less economic growth with fewer jobs

Discussion

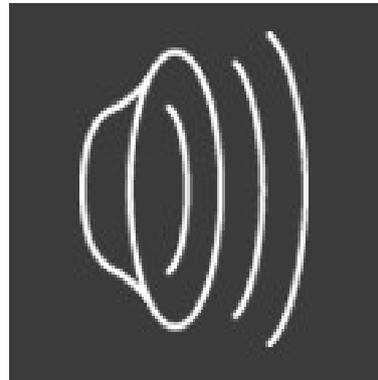
Today's presentations

Earlier presentations

Future directions – TPP and related

Next seminar: February 15th

Interview with Mike Lofgren, author: “The Deep State”



CSAI – Escalating Inequality

Session #8 – Winner Take All?

UUCF – January 11, 2016

Presenters: George Strawn and Rod Paolini

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This is the sixth seminar in the Escalating Inequality project we're engaged in here at UUCF.

T: As always, I'd like to start by describing the context of this series.



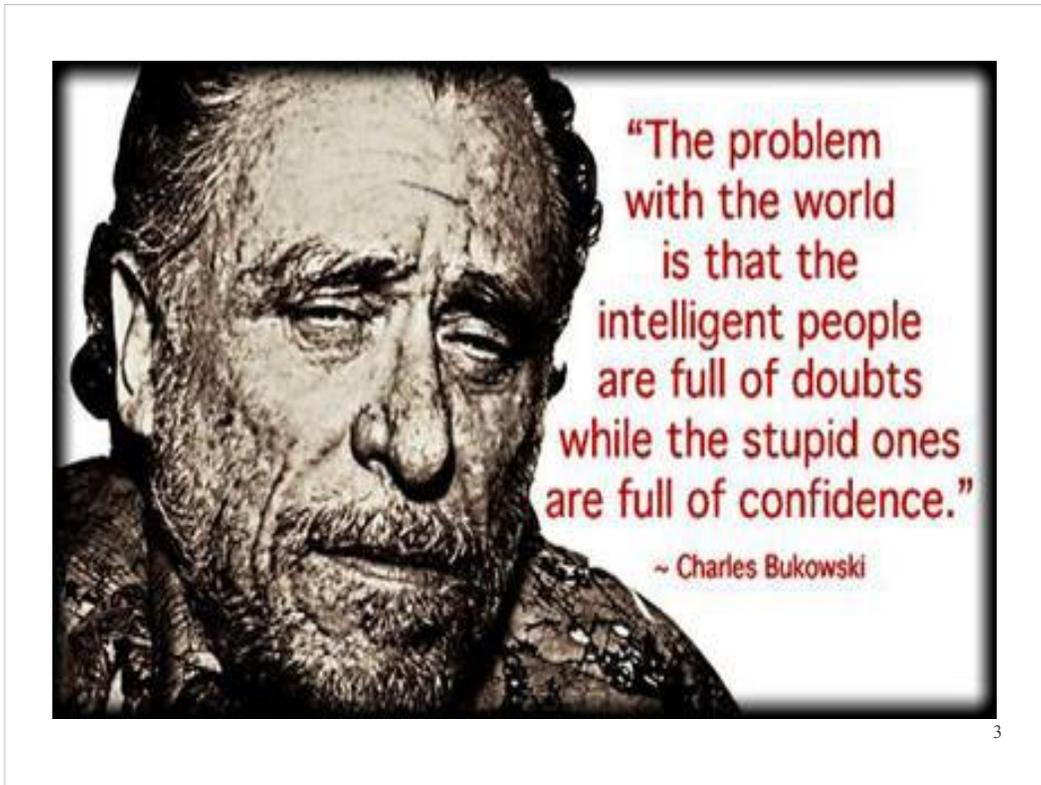
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2

As we proceed with this effort and move toward a plan of action, it's important to keep James Baldwin's thought in mind. It won't be easy, but it won't happen unless we address it.

T:This next saying is also relevant.



We're striving to keep our focus on reason and rationality. We know that we're faced with forces for the status quo that aren't that.

T: It's important for us to realize that the issue of escalating inequality is rising in the public consciousness.

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5

It's quite important to keep in mind that this isn't just an ordinary adult education effort. Rather it's a formal CSAI, and that provides a critical context for what we're doing.

T: I also like to set the stage for each seminar with some relevant sayings.

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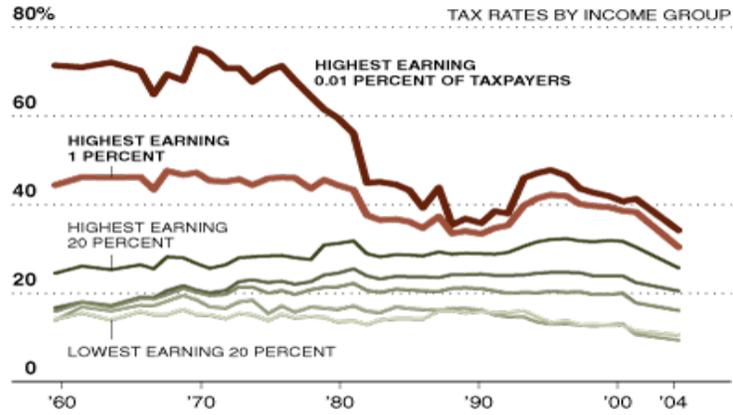
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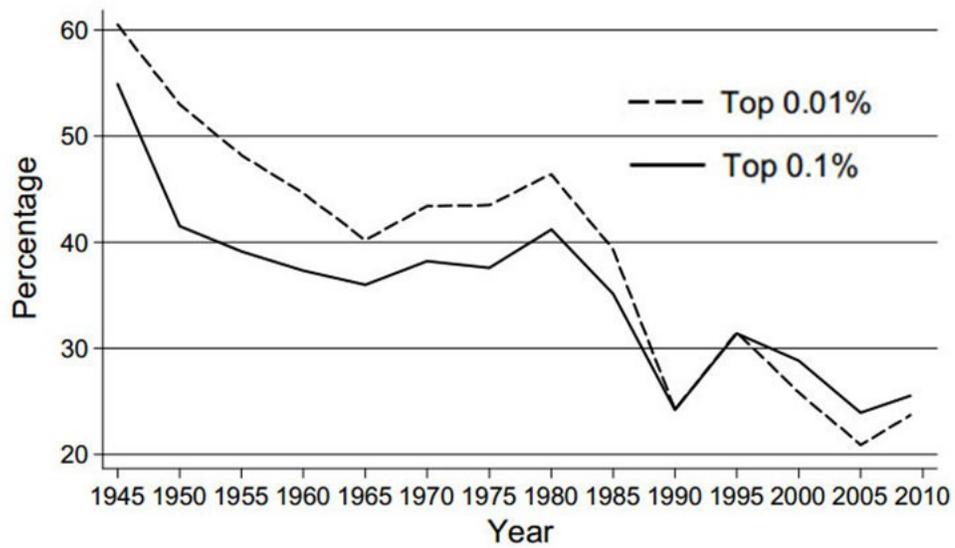


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Source: Thomas Piketty and Emmanuel Saez

THE NEW YORK TIMES

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