

# ***Philosophy Ripped From The Headlines!***



**Issue #12, 3 (August 2018)**  
**Compiled & Edited by *Philosophy Without Borders***

Starting in August 2018, *Philosophy Ripped From The Headlines!* is being delivered in weekly installments.

Every installment contains (1) a recent article, (2) some follow-thoughts for further reflection or discussion, and (3) a link for supplementary reading.

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## “The Truth about Income Inequality, in Six Amazing Charts”

By Michael Hiltzig

*Los Angeles Times*, 7 AUGUST 2018

URL = <http://www.latimes.com/business/hiltzik/la-fi-hiltzik-inequality-20180807-story.html#>



Homelessness, as seen in this 2016 photo from Division Street in San Francisco, is one manifestation of increasing economic inequality. But will the city's voters approve a business tax in November to help address it? (Eric Risberg / Associated Press)

It has become fashionable in recent years to downplay the growth of income and wealth inequality in the developed world, especially in the United States — and also its consequences.

It's not surprising that the naysaying comes mostly from spokespersons for the 1%, who, after all, are the chief beneficiaries of this trend and anxious to keep it from reversing. They also have the loudest megaphones in media and the most assiduous supporters in government.

That makes efforts like the [World Inequality Database](#) essential. Founded in 2011 and headquartered in Paris, the [WID is funded](#) by the Paris School of Economics, the Ford Foundation and numerous other grant-making government research agencies and nonprofit foundations in Europe and the U.S. Its executive committee includes three of our leading experts on economic inequality, Emmanuel Saez and Gabriel Zucman of UC Berkeley and Thomas Piketty of the Paris School of Economics.

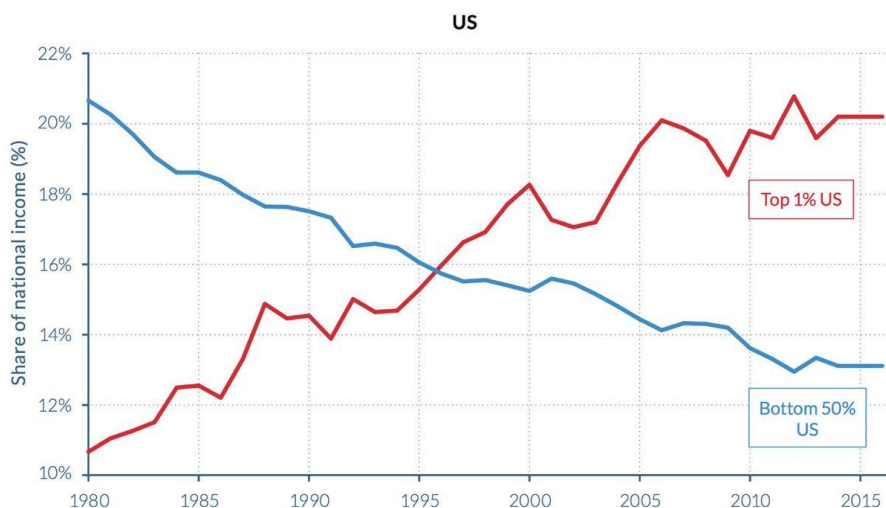
The WID relies on a vast store of data from government accounts, household surveys and tax data, among other categories. In [its latest report](#), the database reduces this material to a series of graphs showing the history of inequality and its possible future — or futures, dependent as they are on government policy choices.

Its findings are that “economic inequality is widespread and to some extent inevitable,” but that the scale of inequality as it has evolved in many countries is not inevitable. More important is the implication of the existing trends: “If rising inequality is not properly monitored and addressed,” the report says, “it can lead to various sorts of political, economic, and social catastrophes.”

We've pulled six especially telling graphs out of the World Inequality Report 2018. Here they are, with a gloss on what they mean.

Let's start with our most immediate concern, the rising income and wealth inequality in the United States. The rise of the 1% has been especially notable in the U.S. not merely because of this cohort's share of national wealth, but because it shows the abandonment of American principles of egalitarian economic opportunities.

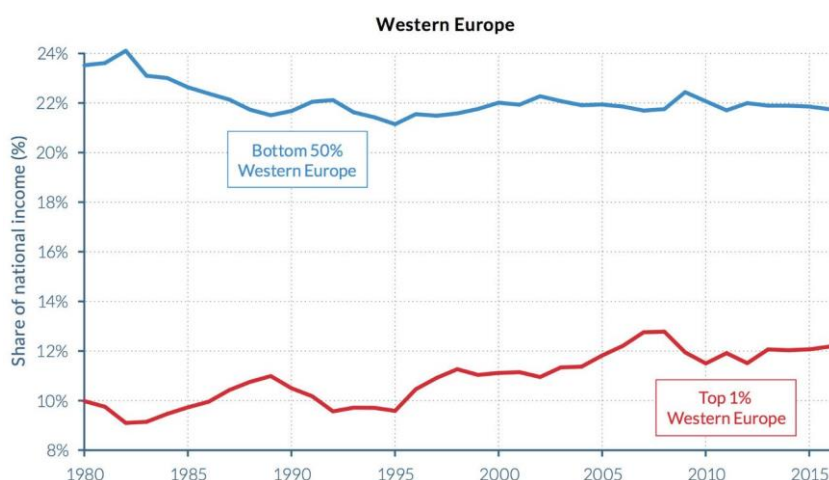
**Top 1% vs. Bottom 50% national income shares in the US and Western Europe, 1980–2016:  
Diverging income inequality trajectories**



The share of national income going to the top 1% in the U.S. has risen from just over 10% in 1980 to more than 20% in 2016. Meanwhile, the share collected by the bottom 50% has fallen from more than 20% to about 13%. (WID)

What may be most remarkable about this trend is how sharply it diverges from conditions in the region that most resembles the U.S. in terms of economic principles, Western Europe. The 1% commanded about 10% of national income in Europe in 1980, about the same as its share in the U.S. But its share rose only to about 12% in 2016, compared with 20% in the U.S.

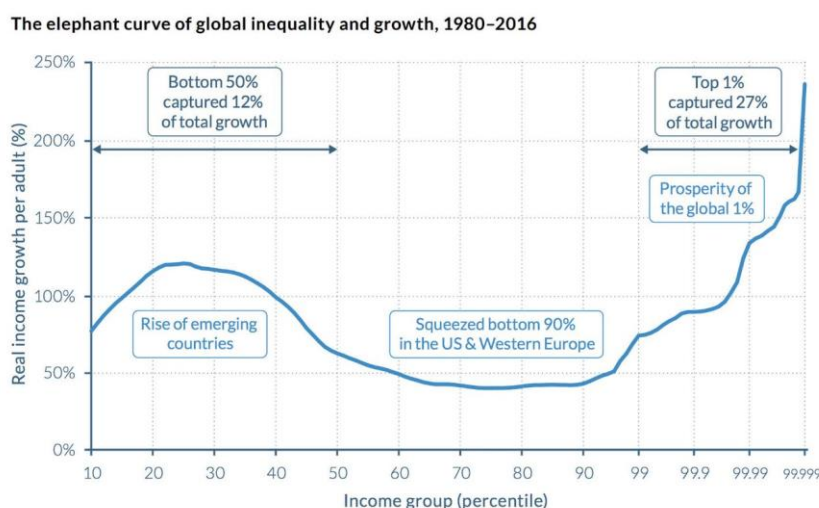
Consequently, the bottom 50% in Western Europe still possess a larger share of national income than the top 1%, the reverse of the situation in the United States.



The bottom 50% still own a larger share of national income than the 1% in Western Europe. (WID)

Globally, the prosperity of the top echelons feeds upon itself, forcing stagnation on income groups below them. The result is the “elephant curve” of global inequality, so named because it resembles the profile of a trumpeting pachyderm.

The top 1% have captured twice as much growth as the bottom 50% since 1980. “Income growth has been sluggish or even zero for individuals with incomes between the global bottom 50% and top 1% groups,” the report says.



The wealth of the top 1% begets more wealth, at the expense of everyone else. Even the poorest of the 1% — those with incomes between percentiles 99 and 99.1 — saw income growth of 74% from 1980 to 2016. (WID)

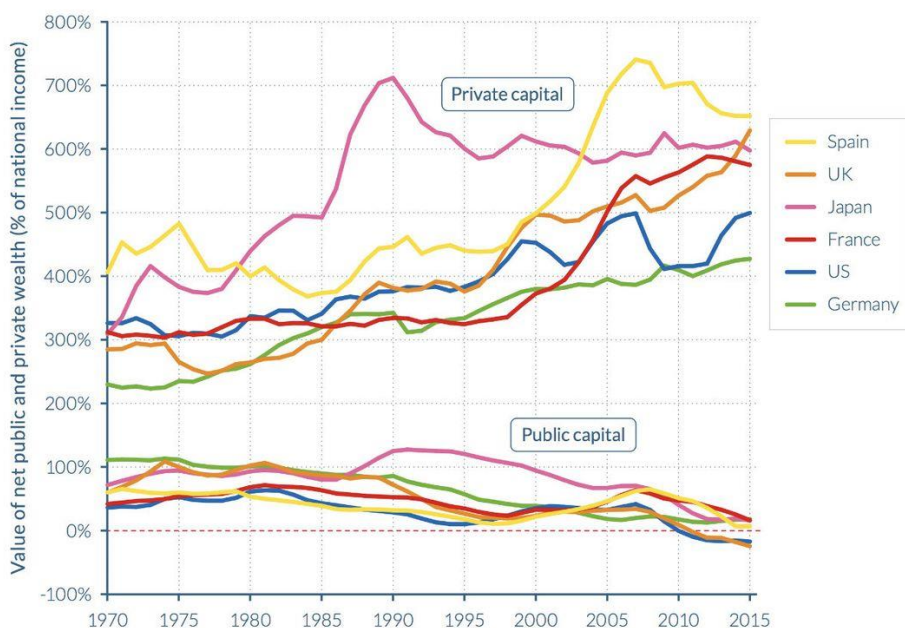
An oft-overlooked phenomenon that both reflects and contributes to rising inequality is the decline of public capital in the developed world, especially when compared to the growth of private capital. The trend hampers government efforts to address economic inequality by impoverishing programs that would give middle- and low-income citizens help climbing the economic ladder, such as public education.

“Since 1980, very large transfers of public to private wealth occurred in nearly all countries, whether rich or emerging,” the WID reports. “While national wealth has substantially increased, public wealth is now negative or close to zero in rich countries.”

Those include the United States, where public capital has fallen to a negative figure. That’s because public capital is defined as public assets minus public debt. The U.S. has borrowed heavily for purposes that include funding tax cuts for the wealthy.

That’s effectively a transfer of wealth from the public to rich private individuals, and it’s likely to intensify in coming years, as the country borrows to fund the \$1.5-trillion tax cut enacted in December to benefit corporations and the rich. Republicans in Congress already are talking about the need to cut back on programs that benefit the middle and working classes, such as Social Security and Medicare, because the nation “can’t afford” them. That would be a further draining of wealth from lower-income Americans to the 1%.

The rise of private capital and the fall of public capital in rich countries, 1970–2016

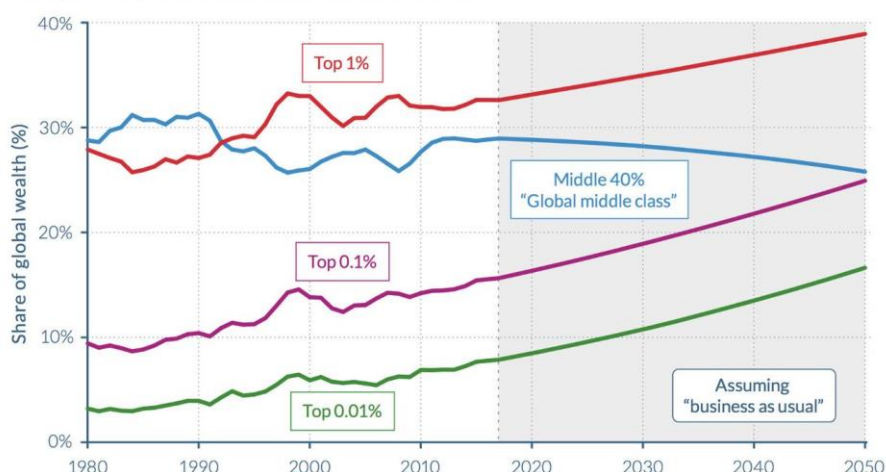


The value of private capital has soared in developed countries as public capital declines. In the U.S. (blue line) and Britain (orange), the value of public capital is now negative. (WID)

Current trends point to even more inequality in the offing. At existing rates, the wealth share of the top 0.1% will match the share of the entire global wealth middle class by 2050.



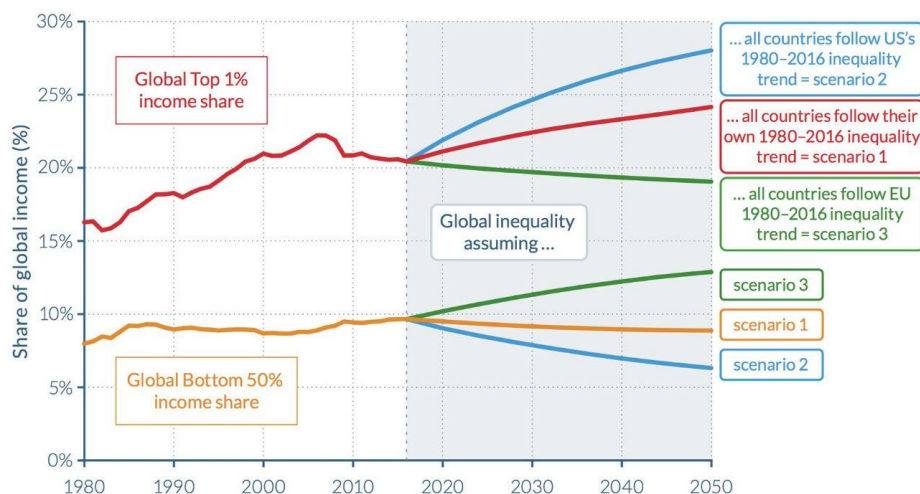
The squeezed global wealth middle class, 1980-2050



At current rates, the share of wealth held by the top 0.1% will match that of the middle 40% by 2050. The wealth of the top 1% will easily outdistance the middle class. (WID)

But it doesn't have to be that way. Countries have a choice — whether to continue their current trends, which would mean increasing inequality, follow the U.S. model, which would increase inequality even more, or follow the European Union trend line, which would narrow the gap between the top 1% and the bottom 50%.

Rising global income inequality is not inevitable in the future



Following the U.S. trend would lead to devastating levels of inequality; following national trends would make things worse though not as much; and following the EU's trend line since 1980 would begin to narrow the gap between rich and poor. (WID)

The choices are easy to identify, but increasingly difficult to implement as the 1% grow more politically powerful. Among the keys to reducing economic inequality are progressive tax systems, inheritance taxes and public investment in education, health and the environment.

In recent years, all three have moved in the wrong direction in the U.S. Tax progressivity has been sharply reduced, most recently with the tax cuts last December. Inheritance taxes also have been reduced. Public education in the K-12 and university levels is being stifled, and the one initiative aimed at improving health, the Affordable Care Act, has been under constant attack from conservatives fronting for the wealthy. The Trump administration has been pursuing a focused campaign to dismantle environmental protections.

These charts reveal how these trends have resulted in inequality and betoken even more in the future. What choices will be made in the U.S. and the rest of the developed world in years to come?

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## **Some Follow-Up Thoughts For Further Reflection and Discussion:**

Is the following argument sound? If so, why? If not, why not?

1. The share of national income going to the top 1% in the U.S. has risen from just over 10% in 1980 to more than 20% in 2016. Meanwhile, the share collected by the bottom 50% has fallen from more than 20% to about 13%.
2. The bottom 50% still own a larger share of national income than the 1% in Western Europe.
3. The wealth of the top 1% begets more wealth, at the expense of everyone else. Even the poorest of the 1% — those with incomes between percentiles 99 and 99.1 — saw income growth of 74% from 1980 to 2016.
4. The value of private capital has soared in developed countries as public capital declines. In the U.S. and Britain, the value of public capital is now negative.
5. At current rates, the share of wealth held by the top 0.1% will match that of the middle 40% by 2050. The wealth of the top 1% will easily outdistance the middle class.
6. Following the U.S. trend would lead to devastating levels of inequality; following national trends would make things worse though not as much; and following the EU's trend line since 1980 would begin to narrow the gap between rich and poor.
7. In these ways, the rich in the U.S. not only achieve their wealth at the expense of labor—the people who actually produce the wealth—but they

also scandalously fail to heed the moral demand of sufficient respect for the dignity of those who are poor.

8. Therefore, just as democratic socialists believe, wealth should be radically re-distributed throughout society via highly progressive taxation, universal basic income, universal free healthcare, universal free higher education, and other radical egalitarian programs.

## **A Link For Supplementary Reading:**

**[“Resistance Rising: Socialist Strategy in the Age of Political Revolution.”](#)**

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## **BACK ISSUES**

**ISSUE #12, 2 (AUGUST 2018):**

- **EPISTOCRACY, NOT DEMOCRACY?**

**HERE: [PWB philosophy ripped from the headlines issue12-2 aug18](#)**

**ISSUE #12, 1 (AUGUST 2018):**

- **THE QUANTIFIED HEART**

**HERE: [PWB philosophy ripped from the headlines issue12-1 aug18](#)**

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- **RESISTING IMMIGRATION & CUSTOMS ENFORCEMENT (ICE), AUTHENTICITY, RECIPROCITY VS. TOLERANCE, HOMELESSNESS-&-US, & FREE SPEECH VS. JUST ACCESS**

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- **BORDERS AND IMMIGRATION, CRIME AND PUNISHMENT, & CULTURAL CONFLICT**

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