Wicked, Wicked Inequality: A Critique of the Past & Solutions for the Future

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'Inequality has been a choice. Beginning in the 1970s, a wave of deliberate ideological, institutional, and legal changes began to reconfigure the marketplace. At the vanguard was deregulation, which, according to adherents. would loosen the constraints on the economy and free it to thrive. Things didn't work out that way."
- *Joseph Stiglitz*

The concentration of wealth is a serious social problem, one that makes humans fixated on getting more and more, without regard to social injustice, poverty of the masses, or other ramifications of the huge accumulation of economic power in the hands of a few elites. It leads to deep inequality, divisions between people, community conflicts, hunger, unhealthy people, dysfunctional families, and much more. My presentation at the Bologna conference on inequalities will mostly emphasize the United States problems of wealth concentration which I have studied for decades, but also make it relevant to other countries. The implications of what has occurred in America, or for that matter, Japan, France, the UK, etc. are suggestive of a global problem.

My research about this issue began in the 1960s while volunteering in Brazil, one of the most unequal countries on earth for 2-plus years where I witnessed firsthand the disparity that arises in a nation when a tiny percent of elites hold most of the wealth. After earning a Ph.D. at the University of Michigan and returning as a visiting professor to Rio de Janeiro in the 1970s, I saw that inequality was getting worse, resulting in food riots, street warfare, rural suffering of peasants, and significant malnutrition and child deaths.

Living in the United States over the years since, I've seen the ugly amassing of wealth in the hands of fewer and fewer rich families and gigantic corporations in my own country. The top one percent in the U.S. now hold some 40 percent of America's wealth while the bottom 80 percent have merely 7 percent of all economic power. The result is a fractured society between haves and have-nots, between whites and minorities, between those with a good education and those less so, between people with decent-paying jobs and those who are unemployed/underemployed.

Inequality diminishes the "American Dream," defined as the long held notion that children will enjoy a higher standard of living than their parents. While this was the case historically, shifting patterns have emerged showing this is no longer true. According to a Stanford study that explores whether the U.S. adheres to this ideal, researchers estimated the rate of absolute income mobility, defined as the fraction of children who earn more than their parents, since 1940. The results reveal that the decline in mobility is dramatic, driven by the more unequal distribution of economic growth, than any other factors. Upward mobility has plunged for those born in the 1940s to a shocking 90 percent, while those born in the 1980s have seen mobility fall to some 50 percent. Furthermore, data suggest although this problem is worse in heavy industrial regions like the Great Lakes area (Michigan, Wisconsin, Illinois), it holds true in all 50 states. While several factors contribute to this problem, the study shows that most of the decline in absolute mobility is driven by the more unequal distribution of economic growth.

Imbalance between the masses and the extremely rich have led to global crises in significant times. For instance, the 1929 Great Depression and the more recent 2008 Great Recession both occurred in an era of unprecedented inequality when the one percent elites owned more than 25 percent of the wealth. The ideology of these conservative economists holds a few core beliefs: deregulation; privatization; cut taxes on the rich; roll back environmental protections; eliminate unions; and impose austerity on the public. The results tend to consist of less funding for public education, anti-trade union policies, McDonaldization of jobs, declining infrastructure, threats to Medicare and Social Security, along with a stalled economy.

The most recent illustration of the sad view is manifest in the Donald Trump administration which is gutting social services, reducing environmental regulations, cutting taxes for rich corporations and America's wealthiest families, trying to keep immigrants and refugees out, turning back banking rules, attempting to repeal Obamacare that provides health services to the poor, drastically raising military spending, and scandalously generating millions of more families with no household savings and a negative net worth. All this will further drain resources from the public good and enhance the power of the hyperwealthy. The cumulative effect? Greater inequality.

The outcomes of these troubling factors suggest that the United States is in decline. We have extracted the wealth of much of the world through grabbing the minerals, oil, farm produce, etc. and channeled it for our own consumption first and foremost. The revenues, and salaries and compensation packages have shot a few elites to the very top of the social pyramid, creating the richest class of people in human history. This has resulted in a massive underclass of Americans left behind, and it has continued to spread like a cancer to most of the world beyond U.S. borders.

My paper at the Fondazione Istituto Cattaneo in Italy will trace this cancerous problem as it has metastasized throughout society. Then, I will articulate a handful of strategies than show convincingly what must be done to reduce inequality, concentrated wealth and greed. They include strategies that have to do with financial policies, politics, and social justice. Here are a few great solutions I have worked on as a consultant through the years, and seen significant restructuring of wealth in some communities, at least, from the few to the many:

1. From private capitalism to business sharing of power and money is one key approach. A superb tool for doing this is shifting from typical capitalistic firms to worker ownership, as I have testified in Congress and helped to form legislation that is supportive. Two primary vehicles for this are ESOPs (Employee Stock Ownership Plans) in which workers gain stock, get corporate seats on the board of directors, have profit sharing at year's end, and gradually become masters of their own destiny. Similarly, the process of worker-owned production through cooperatives yield even more sharing of wealth,

especially if true systems of worker participation are implemented. Both of these strategies require genuine democracy in the enterprise with respect to day-to-day business operations, as well as top down policy and strategy set by upper management and the board. Numerous examples of sharing wealth exist and will be explored by my paper in depth, including such dramatic cases as the Mondragon Co-ops of the Basque Country in northern Spain; the worker buyouts that arose in the Argentine peso crisis of early 2000; the Israeli kibbutz model; and the growth of worker-ownership in the United States in legislation during the past several decades.

2. A second approach for addressing inequality and breaking up the concentration of wealth in the hands of a few oligarchs is social democracy, the kind of political order established in Scandinavian nations such as Sweden, Denmark, and Norway. Over the years these Nordic nations have sought to build inclusive cultures that include trade unions, companies with Corporate Social Responsibility (CSR) values, participative workplaces, and the redistribution of resources so that there is much more equality and a higher quality of life for all. Much of my university teaching in MBA courses, as well as public speaking and at academic conferences emphasizes this idea. The outcomes of less wealth concentration include the fact that these societies are rated year after year as among the "Happiest" in the world. Greater sharing of wealth for everyone breeds increased satisfaction with life for people as a whole, including decent lifestyles, low poverty rates, good education, full employment, healthcare for all, and so forth. In contrast, concentrated wealth like the rising degree of inequality in the U.S. afflicts America with social unrest, class conflicts, fractured politics, and a growing chasm between elites and the masses, especially minorities, poor whites, and the less educated. The United States should more toward a social democracy model, as advocated in the recent presidential campaign by Bernie Sanders. Although he lost to Democrat Hillary Clinton, the power of his ideas was embraced by millions of people, especially millennials, i.e. young adults, who surveys now suggest, are highly favorable in their views of socialism as a superior model than the capitalism of the past.

3. A third strategy for addressing American inequality is the breaking up of the concentration of wealth in the United States by legislating a cap on CEO pay at the top of the pyramid. And if that cannot be done through Congress, American should increase public pressure and customer demands that big firms establish a ratio of compensation that addresses high pay scales. In the 1980s when I began researching the gap between a firm's top executive pay compared with the lowest wages of the same firm, the ratio was America was approximately 20:1. That is, the managerial elite received around twenty times the amount of salary and benefits that the lowest paid workers received. At the time, as a management scholar, I was troubled by this fact, and the fact that business school professors were not aware or very concerned about this matter. I read that the great philosopher Socrates had taught that systems with greater than five times of a difference (5:1) between those at the top versus those at the bottom were fostering an unethical society. Likewise, I learned that the great management scholar, Peter Drucker, argued that a company having more than 20 times the gap between the CEO and low

ranking employees was not building teamwork and morale and thereby not able to use its resources effectively. But in recent years here in America, the largest corporate ratios rose to 400 times by 2006. Last year, in a 2016 study of roughly 168 big firms, the inflation-adjusted CEO compensation had mushroomed since 1970 from 20 times to 70 times, an increase of nearly 1,000 percent. Yet workers in the U.S. have seen a mere 11 percent rise in total compensation. This may be illustrated by the case of the health firm, CVS, whose CEO recently received over $12 million which is 432 times what the *median* employee was paid, a mere $28,000. Other examples of concentrated wealth in the hands of the few include the head of CBS television who was paid $23.6 million, in contrast to employee median wages of $60,000. That was a ratio of 395:1. Or Pepsico's head who received $16 million, making a ratio of 259:1. Or Disney's CEO who was paid $26.2 million while employees averaged just $71,000 (367:1). And remember, these exorbitant amounts do not include shares of company stock which are often valued more than cash and bonus pay combined! Back in 2012, the highest paid CEO in the U.S. was Larry Ellison of Oracle with $96.2 million. That year the top 200 U.S. executives earned a total of $3 billion in compensation. The median cash compensation was $5.3 million, the median stock and option grants were $9 million, considerably more than cash rewards per se. This practice needs to change.

4. On a global scale, I am convinced that an important additional way to address inequality is in developing nations where the wealth may be spread by using microfinance and social business practices. I've spent three decades laboring to design new social inventions through NGO start-ups to empower the poor and re-distribute financial excesses to the lower classes globally, especially to women and rural villagers. The great principle of microcredit is not a mere handout. Instead, it can be a hand-up. It can enable the disenfranchised to work their way out of impoverished lives and move toward economic self-reliance. I've mobilized university students at Brigham Young University (BYU) and beyond, engaged wealthy individual donors, as well as companies in Utah and across the United States as we've established 32 MFIs, along with an additional 9 other types of NGOs that emphasize building schools, training poor people how to have healthier lives, empowering women, fostering better housing, family gardens for improved nutrition, digging wells for clean drinking water, using solar power to support new tech devices for farming, etc. Inspired by Dr. Muhammad Yunus, I taught the first social entrepreneurship course at a U.S. university, developed other courses taught 2-3 times annually since 1988 in the Marriott School of BYU, organized 12 annual conferences on microcredit and social business, and trained over 3,000 college students to serve a summer or more in the 41 NGOs I co-founded. Some 320 of these individuals went on to fulltime careers in these fields as NGO managers, or pursued graduate degrees with which they now teach such courses across the U.S. Examples of such students include those now doing similar action research and teaching at Harvard, Cornell, MIT, Yale, USC, Berkeley, and other major universities. Thus, we are hopefully, yet gradually, gradually turning the tide of student mindsets in U.S. higher education from inequality and wealth concentrated in the hands of a few toward greater financial inclusion for the masses in years to come.

While these four mechanisms for combatting concentrated wealth in the hands a society's one percent are not comprehensive, they show that we can restructure our world. They offer hope for greater equality and less social and economic injustice. We can make a new kind of conscious capitalism that lifts all boats. We have the promise that a more equal life can be available for more people globally. That economic resources can become better for the masses, not just the few. That true wealth can and should be shared with all people as a human right, not a narrow, greedy benefit for society's elites.

Note: The author, Dr. Warner Woodworth, has been researching the problems of gigantic wealth accumulation and the problems of economic injustice and social inequality since his first book in 1985, Industrial Democracy: Strategies for Community Revitalization *(Sage Pub.), and* Managing by the Numbers *(Addison Wesley Pub., 1988). Likewise were his articles with titles such as "Forms of Employee Ownership & Workers' Control,"* Sociology of Work & Occupations, *Vol. 8, No. 2, pp. 195-200, as well as "The Scandalous Pay of the Corporate Elite" in* Business & Society Review, *No. 61, 1987. He has published more such research on this issue consistently down to his article, "Peter Drucker's Creative Concepts for Innovation, Civic Engagement, & Entrepreneurship in the Social Sector,"* Journal of Creativity & Innovation, *2013, pp. 33-52. After this abstract is accepted for presentation at the upcoming Fondazione Istituto Cattaneo inequalities conference, it will be fleshed out, references added, and polished for presentation.*