

Unparalleled Levels of Inequality Is Killing Our Economy and Society

By [Washington's Blog](#)

Global Research, September 24, 2011

[Washington's Blog](#) 24 September 2011

Region: [USA](#)

Theme: [Poverty & Social Inequality](#)

Conservatives Worry That Runaway Inequality Will Destroy The Economy and Society

Conservatives and Liberals Agree: Unparalleled Levels of Inequality Is Killing Our Economy and Society

Leading economists agree that [rampant inequality leads to unstable economies and depressions](#), and [makes the middle and lower classes poorer](#).

While the stereotype is that liberals care about inequality and conservatives don't, that is actually a myth.

As Canada's [conservative](#) National Post - Canada's [9th biggest](#) newspaper - [noted](#) Wednesday:

According to the voice of Canada's business establishment: "High inequality can diminish economic growth if it means that the country is not fully using the skills and capabilities of all its citizens or if it undermines social cohesion, leading to increased social tensions. .

A mounting body of research shows that, left unchecked, a growing income gap affects the rich, the poor and everyone in between.

No matter your political leanings, most people understand that endless concentration of income, wealth and power is bad for the economy. After all, businesses rely on rising purchasing power of the many, not the few, to deliver growth and profits.

No one knows the tipping point, but lock enough people out of the promise of gains and at some point, instead of stability and growth, you get social unrest.

History has shown us, time and again: When too much is controlled by too few, something has to give. Continuously rising inequality is unsustainable.

Everyone has a stake in fixing this. And the fix has no political colour.

(The Post is correct about the [potential for social unrest](#).)

Moreover, IMF economists have demonstrated that [inequality increases a nation's debt](#). Because conservatives are passionate about reducing debt, reducing inequality is a conservative value.

And as I noted in [February](#):

Renowned behavioral economist Dan Ariely (Duke University) and Michael I. Norton (Harvard Business School) recently [demonstrated](#) that everyone - including conservatives - thinks there should be more equality.

Their study found:

Respondents constructed ideal wealth distributions that were far more equitable than even their erroneously low estimates of the actual distribution. Most important from a policy perspective, we observed a surprising level of consensus: all demographic groups—even those not usually associated with wealth redistribution such as Republicans and the wealthy—desired a more equal distribution of wealth than the status quo.

Ariely [comments](#):

Taken as a whole, the results suggest to us that there is much more agreement than disagreement about wealth inequality. Across differences in wealth, income, education, political affiliation and fiscal conservatism, the vast majority of people (89%) preferred distributions of wealth significantly more equal than the current wealth spread in the United States. In fact, only 12 people out of 849 favored the US distribution. The media portrays huge policy divisions about redistribution and inequality - no doubt differences in ideology exist, but we think there may be more of a consensus on what's fair than people realize.

How could the media portrayal regarding this issue be so wrong?

Well, for one thing, as a study the Pew Research Center [found](#), the corporate media tends to take Wall Street's view on economics. Indeed, the media is largely set up to spout propaganda which [supports the view](#) of the powers-that-be. The financial sector has been by far the biggest beneficiary of government policies over the past 10 years or so. So the media tends to defer to Wall Street's own arguments against equality.

Everyone agrees that a system which uses the power of the state to reward the fraud and gambling of the largest banks and biggest corporations through socialism for the rich and capitalism for everyone else is not free market capitalism, and is downright anti-American.

As I [noted](#) last November:

Conservatives tend to view big government with suspicion, and think that government should be held accountable and reined in.

Liberals tend to view big corporations with suspicion, and think that they should be held accountable and reined in.

Irreconcilable difference?

Not really.

Specifically, a [Rasmussen poll](#) conducted in February found:

70% [of all voters] believe that the government and big business typically work together in ways that hurt consumers and investors.

(and see [this](#)).

Remember that the [government helped and encouraged the giant banks](#) to get even bigger, and then has [hidden their insolvency and shielded them from the free market](#), and helped them grow even during the severe downturn.

In return, the big banks and giant corporations have [literally bought and paid](#) for the politicians.

Conservatives might call it “socialism” and liberals might call it “fascism” – [they are the same thing economically](#).

But all Americans – conservatives and liberals alike – can agree that it is not capitalism, and it is not American.

As I [pointed out](#) in December:

Conservatives hate big unfettered government and liberals hate big unchecked corporations, so both hate legislation which encourages the federal government to reward big corporations at the expense of small businesses.

As an example, [both liberals and conservatives](#) are angry that the feds are propping up the giant banks – while letting small banks fail by the hundreds – even though that is [horrible for the economy and Main Street](#).

The Dodd-Frank financial legislation ... enshrines big government propping up the big banks ... more or less [permanently](#).

Many liberals and conservatives look at the government’s approach to the financial crisis as socialism for the rich and free market capitalism for the little guy. No wonder both liberals and conservatives hate it.

And it’s not just the big banks. Americans are angry that the federal government under both Bush and Obama have handed giant defense contractors like Blackwater and Halliburton no-bid contracts. They are mad that – instead of cracking down on BP – the government has acted like BP’s p.r. spokesman-in-chief and

[sugar daddy](#).

They are peeved that companies like Monsanto are able to sell genetically modified foods without any disclosure, and that small farmers are getting sued when Monsanto crops drift onto their fields.

They are mad that Obama promised “change” - i.e. standing up to Wall Street and the other powers-that-be - but is just delivering [more of the same](#).

They are furious that there is no separation between government and a handful of favored giant corporations. In other words, Americans are angry that we’ve gone from capitalism to [oligarchy](#).

So if both liberals and conservatives hate something, it doesn’t necessarily mean it’s a compromise. It may mean that they feel [disenfranchised](#) from a government that is [of the powerful and for the powerful](#).

In other words, while many conservatives are against raising taxes on the wealthy, they are overwhelmingly for stopping the use of the power of the state to increase inequality. See [this](#), [this](#) and [this](#).

This is an area of agreement between people of good faith on the left and on the right. As Robert Shiller [said](#) in 2009:

And it’s not like we want to level income. I’m not saying spread the wealth around, which got Obama in trouble. But I think, I would hope that this would be a time for a national consideration about policies that would focus on restraining any possible further increases in inequality.

If we stop bailing out the fraudsters and financial gamblers, the big banks would [focus more on traditional lending and less on speculative plays](#) which only make the rich richer and the poor poorer, and which guarantee future economic crises (which hurt the poor more than the rich).

Indeed, if we break up the big banks, it will [increase the ability of smaller banks to make loans to Main Street](#), which will level the playing field.

Moreover, both conservatives and liberals agree that we need to prosecute financial fraud. As I’ve previously [noted](#), fraud disproportionately benefits the big players, makes boom-bust cycles more severe, and otherwise harms the economy - all of which increase inequality and warp the market.

And as I [noted](#) last April, prosecutors could claw back ill-gotten gains from the criminals and use that money to help the economy:

The government could use existing laws to force ill-gotten gains to be [disgorged](#) (see [this](#) and [this](#)) [and] fraudulent transfers to be voided ...

The bottom line - as conservative blogger Michael Rivero [writes](#) - is that too much inequality kills the market:

For an economic system to be a system, money must flow freely at all levels and in all corners. When those in charge of the system decide to so order the mechanisms of the financial sector to drive the money into a single huge pile, the system cease to be a system and a crash becomes inevitable. One might as well force all the blood in your body to stay in the brain. The end result is the same; death for the body.

[He's right.](#)

The original source of this article is [Washington's Blog](#)
Copyright © [Washington's Blog](#), [Washington's Blog](#), 2011

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Washington's Blog](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca