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WHAT'S WRONG WITH INEQUALITY

By Frank Cunningham

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Canadian Centre for Policy Alternatives

2 Carlton Street, Suite 1001

Toronto, Ontario

(416) 263-9896

www.GrowingGap.ca

Frank Cunningham is Professor of Philosophy
and Political Science at the University of
Toronto.

What's Wrong with Inequality

WHEN THE Canadian Centre for Policy Alternatives published an ambitious report, *The Rich and the Rest of Us* by Armine Yalnizyan, reactions from the political right quickly followed. This was, of course, to be expected. Her research describes galloping disparities of income among Canadians from 1976, where after-tax median income of the top 10% of families was 31 times higher than that of the bottom 10%, to 2004 when it was 82 times higher.

An even more dramatic case could be made by comparing wealth as well as income, including such things as real estate, stocks, and savings. Also, the report does not throw into relief the most grotesque of disparities since the top 10% of incomes includes both families earning \$110,000 a year and the multimillionaires. In my naiveté I anticipated an exchange of technical debates over analytic methods, sampling strategies, data sources, and the like. Instead, the right-wing pundits and think tanks, for the most part, *accepted* the findings and reacted to them by complaining that reversing the trend would require socialistic state interference with market forces.

A theme running through the critical reactions was that nobody has grounds for objection to growing income disparities as long as the worst off are no worse off than they had been earlier. In fact, if the worst off are somewhat better off, the findings would, it is claimed, lend support to the “trickle down” theory endorsed by neoliberals at least since the Thatcher/Reagan era.

Trickle-down assertions depend on the never proven assumption that ballooning income of the rich is a central cause of economic growth (rather than being made possible by growth, which has other origins). If there is anything to the trickle-down theory, it is nullified exactly by the sort of disparity in income the *Rich and the Rest*

of Us report describes. Rev. Dennis Drainville, when he was director of the community food and anti-poverty organization Stop 103, pointed out that wealth might trickle down if it was not for the sponges at the top.

Inequality concerns persisting and widespread disparities among the resources available for people to sustain themselves and their families in secure and healthy ways, to make adequate provision for their old age, to take advantage of amenities beyond bare subsistence, to participate in political or community affairs, to engage in volunteer activities, and to pursue valued long-term goals such as succeeding in their occupations or developing talents (as for artistic enjoyment and creation or engagement in hobbies or sports). The contrast is a social ideal where, as several political philosophers conceive of it, distribution of resources is sufficient for everyone to have realistic a chance of leading a meaningful, satisfying, or happy life.

Later in the paper some complications in this working definition will be noted. Now, reasons for concern over the large and growing inequalities in Canada, as elsewhere, will be given.

THE CANADIAN PUBLIC AND ITS PROBLEMS

In 1927 John Dewey wrote an influential tract, entitled *The Public and Its Problems*, which was about his contemporary United States but applies equally to Canada today. A public, as he put it, “consists of all those who are affected by the indirect consequences of transactions to such an extent that it is deemed necessary to have those consequences systematically cared for.”

Cities, regions, states, and other publics face a multitude of problems common to all their members, ranging from meeting subsistence needs to the provision of cultural amenities, the deployment and containment of technology, and, as is now generally recognized with justified alarm, confronting environmental challenges. Publics are not homogenous and may include groups with conflicting interests, but the problems they face are common to all their members, and they call for collective action to be addressed effectively.

Dewey persuasively argued that a democratically organized public is essential for meeting problems collectively and that recognition by people that they are members of a common public is necessary for effective democratic action. Only when people see that, despite their differences, they are “in the same boat” with respect to overriding problems — retrieving a sustainable environment, meeting energy needs safely, addressing problems of urban sprawl and crime, preserving farm lands and green spaces, strengthening education to meet the needs of a sophisticated world, and other challenges — will they act together to keep this boat afloat.

Inequalities of the magnitude, described in *The Rich and the Rest of Us*, inhibit the development and functioning of a Canadian public in the following ways:

The rich can leave the boat. They know it and the rest know it. With sufficient wealth children can be educated in private schools, walled in homes and country estates afford escape from urban blight. Chauffeurs can ease some of the discomfort of commuting to work, or one can chose not to work at all. Remote getaways provide clean air, and so on.

All this creates two publics — one primarily concerned with making ends meet and trying to maintain a tolerable lifestyle; the other focused on keeping and enhancing its wealth by such measures as reducing its taxes and avoiding constraining government regulations.

Public resources for addressing problems are diminished. The accelerating disparity in Canadian incomes was largely made possible by taxation policies and downloading, resulting in reduced social services that greatly diminished the availability of public resources required to address common problems. Not only does this affect the potential for public action in the face of these problems, but it also demoralizes people and leads them to give up on collective action.

Canadians become beggars. A consequence of reduced resources for public services is that the charity of the rich must increasingly be relied on. One effect of this is that their priorities get privileged attention. Throughout Canadian universities, for example, one finds business schools much better funded from private sources than student residences or physical infrastructures.

Perhaps more pernicious is that the need to cater to the wealthy to sustain essential public services defines the latter not as rights but as privileges conferred by a minority of the population as they see fit. This is not a situation conducive to nurturing a sense that we are all members of a common public.

Inequalities foster elitism and resentment. A common right-wing allegation is that people who are not rich are jealous of those who are and that this is the origin of pro-equality (“egalitarian”) thinking. At odds with this perspective is that those who do well as a result of their own hard work typically are not resented. Negative attitudes enter the picture when people are well off through no effort of their own but due to inheritance or when large income hikes are given to already rich executives based, not on their merits, but just on their ability to unilaterally raise their own salaries, or when the amounts of wealth in question are obscenely high. These circumstances often prompt resentment.

Meanwhile, many of the rich come to see their wealth as signs of their superiority. Though publics are not the same thing as communities, where everyone shares values and see each other as friends, they still require a certain level of mutual respect in order to take common actions. Resentment and elitism are not conducive to mutual respect.

Gross inequalities are part of a culture of possessive individualism. An alternative to resenting great wealth is aspiring to it as a main goal of life. This is a component

of what the Canadian political philosopher C.B. Macpherson called “possessive individualism,” which referred to a culture where people value each other and themselves in terms of how much they possess and think of their possessions and even of their own talents as private property. The contrasting culture is one where people aim to develop their talents in cooperation with one another and see themselves as trustees of their possessions and abilities, rather than as their private owners. That is, they try to use their possessions and talents in ways beneficial to others, including future generations.

Public action in a society dominated by a possessive-individualist culture is motivated by self-interested calculations, which is a shaky foundation at best for maintaining a vibrant public in Dewey’s sense. In a society where wealth is concentrated in the hands of a few, its possession comes to be depicted as the goal of a meaningful life, thus reinforcing a possessive-individualist culture.

Inequality is an enemy of democracy. Publics in Dewey’s sense exist in democratic societies. While citizens of an officially undemocratic state, that is, an autocracy, face common problems, they lack the ability to take collective action to address them. The result is harmful to public spirit, since people understand themselves to be politically impotent and are accordingly demoralized. As a society begins to contain significant inequalities, it also begins to resemble an autocracy, despite still possessing the formal markings of a democracy.

Political equality — one person, one vote — is essential to a democracy, but if money can determine for whom one is able to vote (by financing political parties and election campaigns) and can dictate limits on what representatives can actually do once elected no matter what their promises (due to threatened removal of personal or corporate support), understandable cynicism about democratic processes results and, with it, the weakening of public commitment.

Inequalities also impede local and informal democracy. The differences of agendas between the rich and the rest, attitudes of elitism and resentment, and possessive individualism inhibit the development of workplace democracy or inclusive community activities.

THERE BUT FOR FORTUNE GO YOU OR I

Some conservative critics of *The Rich and the Rest of Us* maintained that it should have concentrated not on income disparities, but just on the plight of the very poor.

Of course, the existence of extreme poverty is cause for distress, and those who actively work to alleviate it are to be applauded. But this criticism does not apply to the arguments so far offered, which pertain to the effectiveness of public action. The criticism also misses the mark regarding moral objections to inequality.

Nobody in Canada need, or should, face destitution. But beyond this, all Canadians should have available to them decent places to live, post-secondary education for their children, a retirement not fraught with worry, and other such basics.

The Nobel Prize winning economist and political philosopher, Amartya Sen, observes that in one respect all political theorists are egalitarians, since they all think that *something* should be equally distributed, whether it is resources for basic needs as welfarists think or the legal right to compete in economic markets, as neoliberals maintain. His point is that nobody wishes to defend a completely anti-egalitarian position.

One can go further down this road by suggesting that there has always and everywhere been a presumption that people ought, as a matter of elementary human morality, to have access to resources necessary for survival and, if possible, enough to enable to them to pursue satisfying lives beyond brute subsistence. This attitude might derive from religious belief or from a number of philosophical ethical theories, but one common source is recognition that people do not *deserve*, arbitrarily, to be denied essential resources or to have less chances than others to make a good life for themselves.

The idea that sheer bad luck, for instance, the circumstances into which some are born, limits their life options is enough to motivate this sentiment. This does not mean that everyone has always favoured equitable distribution of resources, but rather that similar to the way a court of law presumes people are innocent until proven guilty, distribution of the world's resources adequate to everyone's needs is a default or presumptive norm, and reasons must be given for departing from it.

It is, unfortunately, not difficult to find people who simply don't care about those who lack the resources for a fulfilling life as long as they are not among them. Such people are self-centred to the point where they do not think about issues of morality and would not be swayed by them if they did. But for those who do wish their views to be morally justifiable, it is rare, if not impossible, to find people who, confronted with those who, through no fault of their own, are lacking in vital resources, react by demanding reasons why they should not remain deprived. Instead, the usual stance of critics of egalitarianism is to acknowledge that such situations are unfortunate but claim nothing can or should be done about it.

Why, then, have inequalities been tolerated through so much of human history?

A justification for tolerating inequalities that dominated much thinking until relatively recent times is the view that some are more worthy than others. The idea was conventional wisdom in aristocratic societies, where it was believed that people's stations in life are accorded them in virtue of their parentage, which identifies some as superior human beings. A more sophisticated version was proposed by philosophers like Plato and Aristotle, who did not see parentage as the origin or mark of worth, but still thought that some people, most dramatically slaves, were naturally suited to lives with fewer privileges attached to them than to others.

No doubt there are still some who hold these aristocratic opinions, but the position was discredited partly as a result of people starting to ask what was so worthy about the upper classes and finding no answer to this question. The emperors were seen to be without clothes. And as rigid status barriers were relaxed allowing for professional mobility, the correlation between ability and parentage was called into question. This mobility, combined with the availability of education beyond the upper classes, also challenged the idea that people are confined to different levels of ability by nature.

Aristocratic justifications for inequalities have now largely been replaced by ones that appeal to competitive economic markets. Inequalities, it is argued, are an unavoidable by-product of markets. In competition for profits or for jobs, some will win and some will lose due to a combination of differences in skill or perseverance and luck.

One of the supposed consequences of correcting for the resulting inequalities is to dampen incentives — whether vigorously to exercise entrepreneurial skills or to work hard (or at all) at a job.

Another allegation is that introducing economic planning into a society upsets the natural functioning of a market and leads to the economic inefficiencies and political autocracy of the late Communist regimes as in the former Soviet Union. This is not the place to debate the merits of the capitalist market in general, but the following comments cast doubt on arguments that appeal to it insofar as they are meant to justify toleration of inequality.

- Market incentives apparently were working in Canada in 1976 when, as we now know thanks to Armine Yalnizyan's research, inequalities were considerably less than today. In many countries — such as France, Germany, the Nordic countries, and Japan — economic productivity has coincided with less inequality than Canada. It is difficult to believe that Canadian entrepreneurs are proportionally more highly motivated or Canadian workers more productive than in these, or indeed, most other developed capitalist countries.
- The choice regarding regulation and planning is not whether or not to allow them since, to the annoyance of the purest Neoliberals, we are not now nor have we or any other capitalist country ever been without them. In some periods, such as during the New Deal in the United States or in Canada between the mid-1940s and the early 1970s, relatively ambitious state restrictions and regulations partly designed to address problems of inequality served their functions without destroying the market system.
- No egalitarians today are calling for anything like the full-scale economic planning that proved disastrous in the former Soviet Union. Acknowledging the roles markets play in a large and modern economy, they seek, instead, to identify those places where markets fail to produce socially desired results — of which reducing inequalities is one, but by no means

alone — and through regulation and compensation to rectify or head off these deficiencies.

EQUALITY AND DEMOCRACY

The egalitarian vision of everyone having access to resources sufficient for them to have realistic chances of leading meaningful, satisfying, or happy lives involves some tricky theoretical problems. Happiness, satisfaction, and a meaningful life are not always taken to be the same things. Furthermore, appeal to any such standard in a pluralist society, where people are supposed to be able to pursue their own life goals rather than having the state dictate them, must deal with the subjectivity of why the resources are wanted.

So if some people have expensive tastes relative to others (champagne vs. beer), does this mean they should have more resources at their disposal? Should someone who aspires to be a brain surgeon have access to more resources than a person content to be a sales clerk? Or, regarding other differences, should those who exert more effort in taking advantage of available resources receive the same as those who make little effort, and similarly with those whose are more skilled at using their resources? These problems are important and difficult, but I do not think they are so difficult as to prevent actions to correct income inequality in Canada.

Like many theoretical problems, they become less philosophically daunting when viewed within actual political and social contexts. Canadian inequalities of resources exist in a democratic political society which includes public provision for welfare floors in the form of unemployment insurance or old age pensions and public services such as health care and education. In a democratic country policies about taxation, pensions, social services, welfare, and other matters affecting access to resources are subject to ongoing debate and deliberation at least on the part of elected officials and sometimes directly in citizen forums.

In the choices citizens make, options the theorists worry about will be presupposed or sometimes consciously taken. The final results might contain tensions and lack clarity and coherence from a theoretical point of view. However, a social decision determining resource distribution will have been achieved that (in principle) has the support of a majority and that is subject to revision in subsequent legislative deliberations.

That there is a fair amount of commonality among voters regarding certain basic needs is evidenced by the fact that as societies become more democratic and responsive to public wishes, provision of welfare floors and core public services, such as for health care and education, becomes more widespread and is legislated, instead of depending on autocratic but benevolent political leaders — or on charity.

Moreover, despite differences among people's preferences, some resources are generally valued. Both champagne and beer enthusiasts want to make sure that there

is at least safe water to drink. The aspiring brain surgeon and the sales clerk both want basic education for themselves and their offspring.

If shifting the focus from the theoretical, conceptual problems to the political terrain of democratically mandated policies makes the problems less philosophically daunting, it highlights difficult political challenges. This is especially evident in the case of democracy. Without effective control over campaign spending and contributions, those with money will have disproportionate influence over the behaviour of elected officials. This will skew policies regarding resource distribution to meet the needs of those who, being able to purchase basic services privately, do not have the same interest as the majority in their public provision.

First-past-the-post electoral systems and ones that are also based on long outmoded voting districts effectively exclude many voices from legislative forums. If, notwithstanding these deficiencies, some progress has been made in formal political democracy, workplace and other local, informal sites of human interaction are not very much more democratic than before the democratic revolutions against feudalism.

There are also challenges regarding the nature of public resources. If, for example, the allocation of important resources in a society is to be made democratically, ordinary citizens must have the ability knowledgeably to reflect about its overall needs in the long run. They should be able to think in a critical and self-critical way about their own and others' priorities. Narrowly technocratic education does not equip people with these aptitudes. Similar points can be made about all the public and private institutions that are supposed to provide resources important for an equitable society: health, child care, pensions, employment, transportation, and so on.

Someone who agrees with this contribution's answer to the question of what is wrong with inequality — the short answer is, "lots" — should be most alarmed at the trend reported in *The Rich and the Rest of Us* and will want to know what can be done to reverse it. The response to this concern, no doubt easier to announce than to achieve, is that major reforms in a number of institutions are required, not the least of which are the institutions of Canadian democracy itself.