

Karen Telleen-Lawton: Examining Facts, Attitudes About the Income Gap

By Karen Telleen-Lawton, Noozhawk Columnist | Published on 11.04.2013 2:42 p.m.

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I just returned from my college reunion. One of the attractions that keeps me coming back every five years is attending the professor-led “classes without quizzes,” covering their latest research and discoveries.

The seminar that piqued my curiosity was a topic familiar from my economic and investment reading: income inequality. I was curious to learn how **Professor Debra Satz**, a philosopher and ethicist, approached this topic.

Dr. Satz began by relating a few basic facts, meshing them with societal values, and then asking us to us ponder the result.

First, some facts:

- » The 400 wealthiest Americans own more assets than the bottom 50 percent.
- » Globally, the richest 1 percent control nearly half of the world’s wealth; the bottom 90 percent own 14 percent.
- » In the 30-odd years between 1979 and 2007, middle-income earnings in the United States increased 40 percent while the top 1 percent of earners increased 275 percent. This is being called “the Great Divergence.”
- » Although the extent of inequality has grown in the last generation, this says nothing about whether that is morally

right or wrong.

» Not all inequalities are objectionable. For instance, it's good that we do not all have the same level of preference for each type of food, housing or work.

After delving a little further, I found that from the end of **World War II** (1945) to the 1970s, income rose relatively synchronously at all levels. When economic growth slowed in the 1970s, the divergence of income and wealth grew. That's one reason you see most comparisons of inequality anchored in the 1970s: It was the beginning of a rich/poor gap not seen since the 1920s.

Social scientists are examining the effect on the economy of this increasing income inequality. U.S. consumer spending accounts for about 70 percent of all economic activity, but **Census Bureau** statistics show that the higher the income, the less money is spent percentage-wise on consumption. Satz pointed to recent economic analyses showing that inequality is a drag on the economy. The greater the inequality, the fewer absolute dollars are spent.

Satz's job as an ethicist, she told us, was not to promote arguments about these facts but to encourage us to probe about what we want as a society. She then introduced values most Americans would agree are important, to varying degrees, in a developed society. These include humanitarianism, opportunity, equal citizenship and fairness.

Satz asserts that most Americans believe society should, at the very least, attend to and alleviate suffering. We also generally support opportunity — not just a little, but opportunity sufficient to influence one's life outcome irrespective of social origin, class, race or gender. Most would also say that equal

citizenship is a key element of being an American, as is fairness in the process of voting. One question ethicists posit is, are we still able to uphold these values with increasing income inequality?

One case in point is a series of experiments designed by **Paul Piff of the University of California-Berkeley**. My son sent me the **link to the short video above** as I was writing the column. After watching it, you might wonder if an attitude gap is developing along with the income gap.

— Karen Telleen-Lawton's column is a mélange of observations spanning sustainability from the environment to finance, economics and justice issues. She is a fee-only financial advisor (www.DecisivePath.com) and a freelance writer (www.CanyonVoices.com). [Click here to read previous columns](#). The opinions expressed are her own.