

Income Inequality - Is it here to stay?

This was a comment I posted in reply to an article in the Globe and Mail on November 15, 2012, by Margaret Wentz, ["Why income inequity is here to stay."](#) and it is followed by a letter to the editor.

This comment section is not sufficient to deal with the issues raised, as well as the assumptions made (and not challenged), in this article. There are scholars who have looked at the solutions to income/wealth inequality, its causes, and its solutions (in a credible way - many who are partisan promoters whose analysis is much less credible).

I will deal with only one area here - the comment that many of today's wealthy have earned their money and that this is just reward for hard work (based on merit). The article recognises that these individual's don't consider factors such as luck and changes in public policy.

We know from science and history that the contributions that one individual can made to the advancement of humanity/society are limited. They stand on the shoulders of giants that came before them (I Newton) and provide solutions that are not unique but inevitable given the state of knowledge in society at that time (many people come up with the same inventions/ideas at around the same time - it's just "time" for the idea). Further, the realization of an idea/invention and its exploitation depend completely on society's laws and norms whose existence and outcomes are taken as given (without question taken as true).

Individuals who build great wealth do so because of society (everyone in society and the rules of society) and on the backs of society by making use of (but adding one small element to) society's accumulated knowledge and capacity. However, they are allowed to reap almost all of the benefit, and thereby take from society its share of the value created by their idea/invention.

It is true that the tax system must play a role in taking back from individual's the portion that belongs to society, while leaving the individual with a fair share based on his real (not perceived) contribution and value. However, it is not just the tax system, but the entire legal construct that needs to be examined: corporations and their structure, contract and other commercial laws, social norms, government policy and assistance, etc.. They must not only be examined with an towards leveling the playing field and providing equal access, but the very structure of the systems must be examined (the unquestioned assumptions and norms) so that "equal access" can actually be accessed. Equality of access is a mere mirage when reality doesn't provide a way to take advantage of it. For example in Canada "Any one may go to school and get an education" - Yes, but not everyone can attend school or gain benefit from schooling. To step onto the equal access platform, other social conditions that are not considered are relevant. A child who is abused at home, who lacks material goods (food, etc), or whose time and energy are occupied by other pressing life needs doesn't have equal access to

education - the formality of our claim ignores the reality of individuals.

Dear Editor,

I am writing in response to the November 15, 2012, article by Ms Wentz. I recognise the limitations present when writing about one book (*Plutocrats*), however, I was struck by the potential solutions - "revolt of masses", "personal responsibility", "level the playing field" – not because of what they are, but because they all (but revolt) take the structure of society as a given.

There are two general approaches to a problem: (1) look at the problem as is (within the existing social structures), or (2) look at the structures and see what creates the conditions for the problem (critique of existing social structures). Let's use the (stylized) example of a dam with holes. The first is a solution that plugs each hole without looking at what causes the holes, the second looks to stop the person who is drilling the holes. Both are solutions, but only one offers the hope of a permanent solution.

In relation to income inequality (with the associated wealth inequality), it's not sufficient to look at market outcomes in the form of income or wealth. By taking an after-the-fact view, whether through taxation or some other regulatory means, we plug holes as they happen. We need to examine the structure that results in market outcomes as well – what are they based on? what are the assumptions? what choices and norms do they represent?

I will demonstrate this by using the example provided in the article – the new plutocrats who are self-made, coming from humble origins to billions through technology of finance. The question that needs to be asked is: "What are they being rewarded for, and how do we relate the reward for the cause of the reward?" The Technology or Finance billionaire was rewarded by the market, or so the saying goes. But, what does the reward include and what is it for? Let's assume that a person invents some new device and becomes wealthy through the production and sale of it. That person has made a contribution to society – has added value – and deserves a reward. When we consider that the invention was made possible only because that person was born into a society with an education system that allowed him to gain skills or knowledge necessary; a store house of knowledge to build on; and laws enforced by the state that allow him to protect his invention and gain from it, the share of value that belongs to the inventor and that which belongs to society becomes clear. There are many other factors (wealth, birth, IQ, luck, opportunity, connections, etc) which I do not deal with. It is only fair that society takes from the value the portion that belongs to society. The problem is measuring the value – and this is one issue ignored in popular (though not scholarly) debate.

I would argue, that any one individual can only make a limited contribution to society. Limited not only in extent, but also in the sense that the contribution is unique such that none other would have made it. This is not to say that small steps don't have large implications, but only to say that the small step should not appropriate the end result of the many other small steps that came before and were necessary for the latest small step.

The preceding, of course, ignores the relevant consideration that (in addition to building on society's store of knowledge) the value added is only possible through the co-operation of the many others (capital providers, workers, managers, etc). How the value is divided as among the various contributors is not questioned – market allocation is presumed to be the right or the only solution. But, markets themselves and therefore market allocations are the result of choices in structure within society – labour laws, patent laws, contract laws, social norms, etc. By recognizing choices that have become invisible, we can examine the basis for them and decide whether the present choice is still warranted. If not, a new choice can be made by society as a whole.

The issue of wealth and income distributions is the tip of an iceberg of social domination, exploitation, marginalization, dis-empowerment, and hegemony that is being currently explored in academia and society. It would be great to see the Globe use the freedom granted to the press for the purpose intended – to discuss public issues, and to inform and involve the public of the discussion. A series of editions that present the various sides on issues within the debate, and therefore solutions to the problem, is most needed and would be most welcome.