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## Growth or Equality: Two Competing Visions for America's Future

David Korten on how closing the wealth gap can open the way to a fairer, more prosperous economy.  
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Photo by [Yasin Hassan](#).

The current political debate in America hints at an unspoken, but profoundly important choice between two radically different visions of the path to prosperity for all.

- **One vision** holds that inequality is an essential and beneficial precondition to unleash the economic growth needed to end poverty and heal the environment. Freeing the rich from taxes and cumbersome regulation will unleash a wave of productive investment, job creation, and prosperity that eventually will trickle down to enrich us all.
- **The other vision** holds that inequality bears a primary responsibility for the political, economic, social, and environmental failures that threaten the future of America and the world. America

already has the world's largest economy and one of the world's highest per capita income levels. Further [growth for growth's sake](#) is not the answer. Our priority need is to reallocate and redistribute our economic resources to get the outcomes we really want.

## **Equality: The Evidence**

British epidemiologist Richard Wilkinson has done an exhaustive review of the evidence on the relationship between the distribution of wealth and indicators of physical, mental, and social health across and within countries. His research demonstrates that on [virtually every indicator, more equal societies enjoy more positive outcomes than less equal societies.](#)

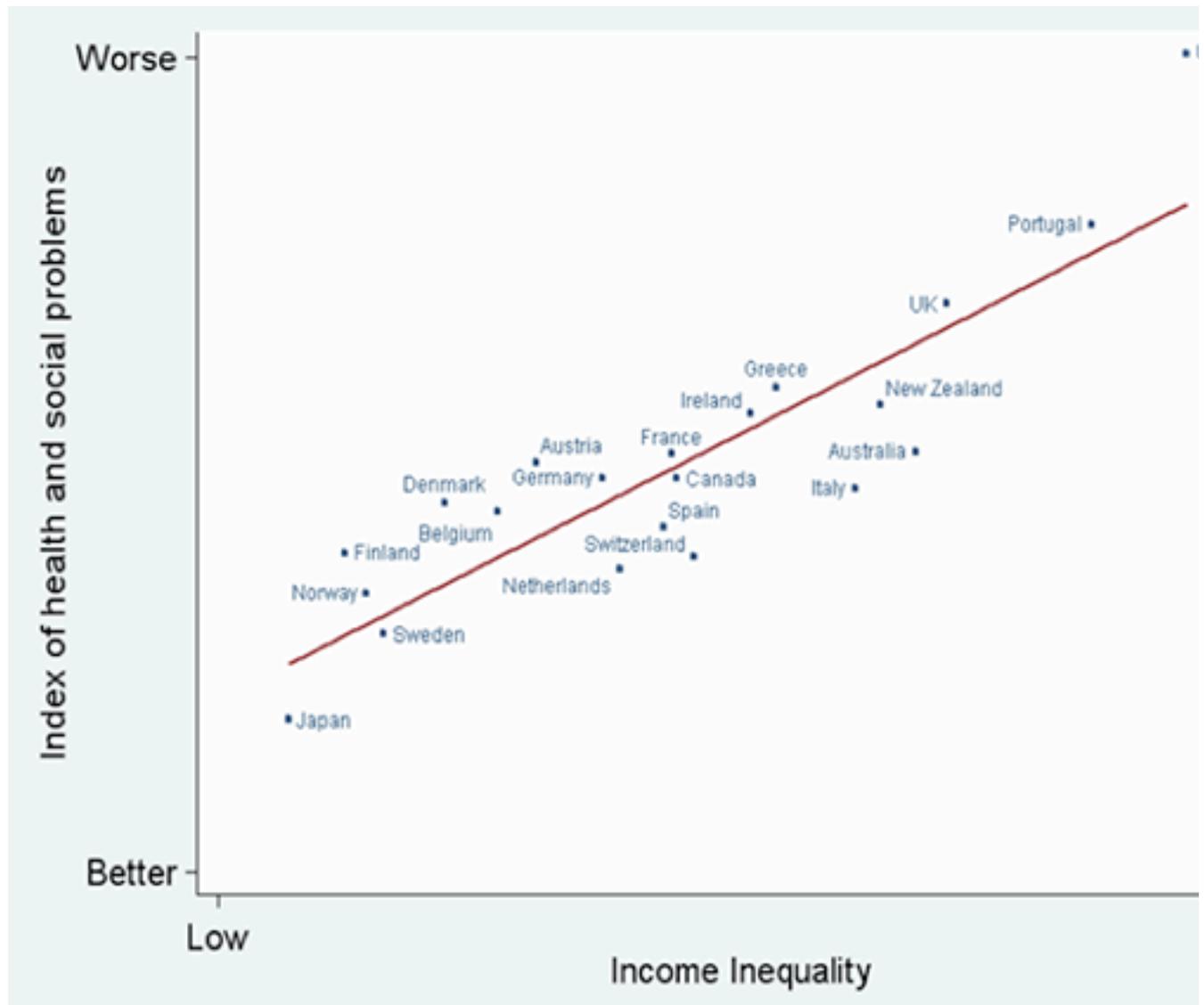
When wealth and power are concentrated at the top, however, the result is not trickle down. It is a sucking up.

Figure 1, below, graphs the results for the world's high-income countries. By a substantial margin, the United States ranks first in inequality and has the worst outcomes on a range of indicators of physical, mental, and social health (see also [Wilkinson's TED talk](#)).

In relatively equal societies, modest differences in wealth and privilege based on differences in real competence and contribution are easy to accept as fair and justified. When, however, the differences become extreme and the winners distinguish themselves primarily by their willingness to engage in morally corrupt behavior for personal advantage, there is an inevitable deterioration of the trust, institutional legitimacy, and moral fabric essential to the healthy function of individuals, communities, and society. That creates a social deficit, from which it takes generations to recover.

### **Health and Social Problems are Worse in More Unequal Countries**

**Index: Life expectancy; math and literacy; infant mortality; homicide; imprisonment; teenage births; trust; obesity; mental illness, incl. drug and alcohol addiction; social mobility.**



Source: Wilkinson & Pickett, *The Spirit Level* (2009), [www.equalitytrust.org.uk](http://www.equalitytrust.org.uk)

Figure 1: Equality and National Health

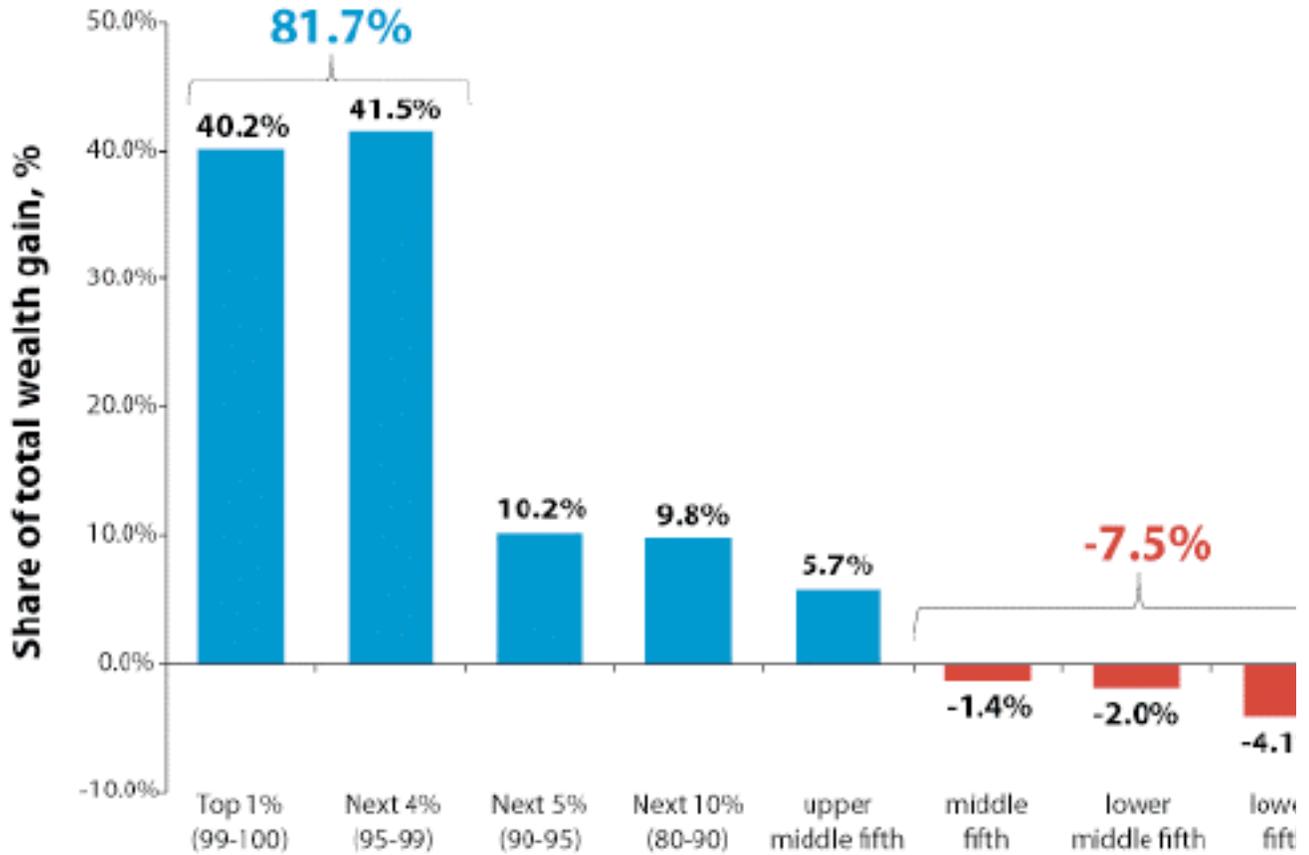
### More Sucking Up Than Trickle Down

If distributed equally, U.S. per capita GDP would translate into \$192,400 for a family of four. Wall Street interests would have us believe that the best way to deal with the plight of the poor is to bring up the bottom by growing the economy from the top down—the classic claim of trickle-down economics. When wealth and power are concentrated at the top, however, the result is not trickle down. It is a sucking up. Those on the top suck up the wealth and gorge on a spending spree. Those on the bottom suck in their guts, tighten their belts, and fight for survival

From 1983 to 2008, total U.S. GDP grew from \$6.1 trillion to \$13.2 trillion in constant 2005 dollars. Figure 2, below, shows the distribution of the total wealth gain during this period. The wealthiest 5 percent of American households captured 81.7 percent of the gain. The bottom 60 percent of households not only failed to share in the overall increase, they suffered a 7.5 percent loss.

Figure 2: Who Captures the Wealth Gain from Growth?

# Share of total wealth gain, 1983–2009



Source: Mishel analysis of Wolff in Allegretto (2010).

Current U.S. per capita GDP is \$48,100 for every man, woman, and child in the United States. This places us somewhere around seventh in the world, depending on who is counting. We are bested only by countries with comparatively tiny populations (Qatar, Luxembourg, Singapore, Norway, Kuwait, Brunei)—four of them with a lot of oil.



[Debt Crisis? Try Growth Crisis](#)

Richard Heinberg explains why the debt crisis is really a growth crisis... and why that might not be such a bad thing.

If distributed equally, U.S. per capita GDP would translate into \$192,400 for a family of four. Our economy is already far larger than necessary to provide for needs of all and provide a fair reward for those who make distinctive contributions.

Contrary to the incessant mantra of economists, politicians, and media pundits, economic growth is not the solution to what ails us. In fact, sheer economic growth drives the need to chew up ever more of our living Earth, creating an environmental deficit that compromises Earth's living systems to feed an economic system that fails to meet our most basic needs because of an egregious misallocation of resources. Our prime need is for a more intelligent distribution of the wealth we have—giving social and environmental returns priority over financial returns.

### **When Wall Street Interests Make the Rules**

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The sucking-up economy is no accident. More than 30 years ago, Wall Street interests mobilized in the name of deregulation and market “freedom” to rewrite the rules of finance in order to break the link between contribution and reward; and to favor the bankers, big corporations, private equity firms, and others in the business of playing financial games to make money from money. They suppressed wages and benefits for working people, reduced taxes paid by the rich, and stripped away constraints on speculation and other financial games by which those at the top increase their financial wealth without contributing to the real wealth of society.

Wall Streeters now pride themselves on generating eye-popping profits and bonuses through financial manipulation, deception, and extortion while producing nothing of real value. As the wealth gap grows, so too does the relative political power of the elites and thereby their ability to rig the rules in the favor of yet greater wealth concentration.

Economic structures institutionalized by policies that favor growth for the rich now virtually guarantee that the benefits of growth flow to the top. There will be no economic recovery for the rest of us so long as these institutions control our economy and our politics.

The more corrupt the money system, the greater the opportunity and incentive to abuse that power. The greater the abuse, the faster the wealth/power gap spirals out of control.

To understand how it works, we must recognize that in a corrupted financial system it is possible to make a great deal of money without contributing to the production of real wealth. Money itself is not wealth. It is a system of accounts by which modern societies record and balance our obligations to one another and allocate access to marketable goods and services. When the money system allocates money fairly in proportion to our individual contribution to the health and well-being of our community, it is a beneficial mechanism essential to the function of a complex modern society.

When access to the essentials of living—for example, food, water, shelter, education, and medical care—depends on our individual access to money, those who control the creation and allocation of money hold tremendous power. The more corrupt the money system, the greater the opportunity and incentive to abuse that power. The greater the abuse, the faster the wealth/power gap spirals out of control.

The moral calculation is clear and simple: Be a winner or be a loser.

The greater the power of those at the top and the greater the desperation of those at the bottom, the more intense the competition to improve one's position on the wealth pyramid by any means—no matter what the cost to the society. The financial logic of profit maximization becomes the only logic. Concern for others and Earth's living systems is off the table.

The moral calculation is clear and simple: Be a winner or be a loser. Experience the unbounded power and privilege of the winners or bear the burden of desperate servitude to the winners' arbitrary whims.

### **A Positive Federal Deficit Reduction Plan**

To put ourselves on the path to a more egalitarian society will take time and effort on many fronts. One immediate opportunity lies in the debate about reducing the federal deficit. It provides one example of how a high visibility debate can be reframed to raise public awareness that we are in trouble not for lack of growth, but because of a massive misallocation of economic resources.

All together, the 24 reforms could make a win-win contribution of \$824 billion every year toward balancing our federal budget.

[A recent report](#) of the Institute for Policy Studies identifies 24 sensible fiscal reforms that would eliminate the deficit, increase equality, deny the Wall Street gamblers their ill-gotten gains, and move us toward a balanced relationship with Earth's biosphere. These include new taxes on Wall Street corporations, wealthy

individuals, and pollution, and the elimination of subsidies for environmentally harmful activities. Together these recommendations would eliminate more than \$572 billion a year from the deficit and simultaneously increase equality, reduce reckless financial speculation, and improve human and environmental health. The report also identifies cuts in military spending that would save another \$252 billion and make us more secure. All together, the 24 reforms could make a win-win contribution of \$824 billion every year toward balancing our federal budget. In the process, we would take a first step toward the larger goal of creating a New Economy based on [ecological balance, equitable distribution, and living democracy](#).

## **Citizen Leadership**

For more than 30 years, Republicans have made their commitment to the Wall Street vision abundantly clear. They are quick to condemn anyone who hints at a need for redistribution toward greater equality as a socialist looking for a free ride—ignoring the fact that those who profit from unproductive financial games are the ultimate free riders.



### [America's Deficit Attention Disorder](#)

Money is the least of our problems. It's time to pay attention to the real deficits that are killing us. Democrats are rather more inclined toward an equality agenda, but are restrained by dependence on Wall Street donors and an obsolete national ideology that says growth is the path to prosperity and the success of the “wealth creators” benefits us all.

It falls to civil society to expose the nature, cause, and consequences of the wealth gap and to define a policy agenda to achieve financial integrity, close the gap, and resolve the financial, [social and environmental deficits](#) that threaten our national and human future. The goal is not to give anyone a free ride. It is to secure and expand the middle class and to assure everyone an opportunity to contribute to our national prosperity and to share in the benefits.

We must assure that the winners in the next election are politicians receptive to this agenda. Regardless of who wins, however, our task remains to build irresistible public support behind a framing vision and agenda for a nation that lives up to its promise of providing a secure and prosperous life for all who are willing work hard and play by the rules.

The Wall Street elites will push relentlessly for more growth for the 1 percent and will back their demands with enormous financial power. We must be prepared to counter with the even more powerful force of an aware and engaged citizenry committed to creating an America that works for all.



[David Korten](#) wrote this article for [YES! Magazine](#), a national, nonprofit media organization that fuses powerful ideas and practical actions. David is the author of [Agenda for a New Economy](#), [The Great Turning: From Empire to Earth Community](#), and the international best seller [When Corporations Rule the World](#). He is board chair of [YES! Magazine](#), co-chair of the New Economy Working Group, a founding board member of the [Business Alliance for Local Living Economies](#), president of the [Living Economies Forum](#), and a member of the [Club of Rome](#). He holds MBA and PhD degrees from the Stanford University Graduate School of Business and served on the faculty of the Harvard Business School.