

The Growing Economic Disparities in the United States

Douglas W. Oldenburg
Columbia Theological Seminary, Decatur, Georgia

In response to headlines about growing economic inequality in the United States, George Will, a conservative and influential commentator, voiced what many Americans believe:

A society that values individualism, enterprise and a market economy is neither surprised nor scandalized when the unequal distribution of marketable skills produces large disparities in the distribution of wealth. This does not mean that social justice must be defined by whatever distribution of wealth the market produces. But it does mean that there is a presumption in favor of respecting the market's version of distributive justice. Certainly there is today no *prima facie* case against the moral acceptability of increasingly large disparities of wealth.¹

How does the Christian community respond to this rather common defense of the growing economic disparities in the United States? As Christians, we believe that all persons are created in the image of God, that God's unconditional love is given to all, that God has a special concern for those who are poor and in the greatest need, and that all persons are of equal value before God. Christian theology affirms that there is a primal equality among human beings which is far more important than any form of inequality and that the justice which God requires is more than a market determined compensatory justice. Although Christian theology does not insist on an absolute egalitarian society, if we take seriously God's equal love for every individual, it would seem that equality should constitute a presumption and inequalities must be required to bear the burden of proof.

Thus, from that perspective of the Christian faith, I believe, contrary to George Will, that the growing and enormous disparity of income and wealth in our country is a scandal - disgraceful and morally offensive. I believe the Christian community must not allow "social justice to be defined by whatever distribution of wealth the market produces." I believe we have the responsibility to show that "the market's version of distributive justice" results not from a free and fair market or from innate abilities, but from complex political choices, many of them hidden. I believe we have the obligation to make the case "against the moral acceptability of increasingly large disparities of wealth."

It is helpful to place our current economic disparities in some historical perspective. In the early 1830s, a young French nobleman, Alexis de Tocqueville, toured America and concluded that the notion of equality - social, economic, and political - made democracy possible. He said that nothing struck him more forcibly than the "general equality of condition among the people." However, as the nineteenth century progressed and the American economy took off, that "general equality of condition" began to disappear and economic inequalities grew.

Then, in the mid-twentieth century, America's economy matured and inequality narrowed. Between World War II and 1970, middle- and working-class Americans reaped the benefits of economic growth and government programs. Indeed, they grew richer faster than did wealthy Americans. In the early 1970s America was about as equal a society as it has ever been, largely the result of greater economic productivity, labor unions, democratization of higher education, social security, minimum wage legislation, expansion of public universities, housing subsidies, and many other programs that brought economic growth and middle-class life to more Americans. Our country experienced a general sense of pride over its egalitarian spirit and its large middle class.

But the trend toward a more equal society that developed in the twentieth century stopped in the early 1970s. Income disparities widened and continued expanding through the 1980s and have escalated even more rapidly in the 1990s. In 1996, after twenty-five years in which the profits of economic growth went almost entirely to the top 20 percent of the population, we have reached the high point of income inequality in our recent history, larger now than at any point in the past fifty years. America is now poised to leave the twentieth century about the same way it left the nineteenth century with a two-class society.

There is virtually no disagreement that economic disparities have grown enormously in our country. The data is overwhelming and shocking. One example is the growing gap between the average pay to Corporate Executive Officers and their workers. In the mid-1970s, the ratio of average pay for large company CEOs to their workers was 41 to 1, or \$326,000 to \$8,000. In 1992, it was 145 to 1; and in 1994, it was 187 to 1 (\$3.7 million to \$20,000).² Another study put the current ratio of the average CEO's salary to the average American worker's salary at 225 to 1 in 1994.

Studies have shown that real wages (after taxes and inflation) of the average married couple American family increased only 9 percent over the period 1973-1992, compared with 83 percent over the preceding twenty-year period. For married couples in which the wife was not in the work force, family income rose only 3 percent in the last twenty-five years.³ During those same years, the income of the top 20 percent has grown rapidly. Wealth has become even more unequal than income. The richest 1 percent of Americans have nearly as much wealth as the entire bottom 95 percent.⁴

In recent years, our economy has been booming. Only a few years ago, many in Japan and even in Europe thought they had us on the run and alarm bells were ringing. Instead of retreating, American corporations have rallied to the challenge, improving their products, slashing their costs and investing in technology. Today, the U.S. is once again the most competitive nation on earth. The 500 companies in the S&P index have increased their profits by about 20 percent in each of the past four years.⁵

But who has benefited from this economic growth? We have always been told that "a rising tide lifts all boats" - yachts and rowboats alike, and "an expanding economic pie gives everyone a bigger piece," and the wealth will "trickle down." But it hasn't happened that way in our current economic expansion. Some have reaped enormous rewards: CEO salaries have been jumping by 13 percent a year⁶ and the stock market has risen to new heights giving investors a bonanza.

But the income of the average worker in America has been stagnant, barely keep up with inflation, and many families struggle to maintain their standard of living only through both spouses working and often moonlighting. Indeed, the very efforts that

have made corporations more competitive - restructuring, new technology, and smaller wage increases, - have taken a heavy toll on employees. Between 1991 and 1995, 2.5 million workers lost their jobs in restructuring, what someone called "a carnage without precedent for the U.S. economy in the midst of ongoing recovery."⁷

The American Bishops said in 1995 that "The U.S. economy sometimes seems to be leading to three nations living side by side: one growing more prosperous and powerful, one squeezed by stagnant incomes and rising economic pressures, and one left behind in increasing poverty, dependency and hopelessness."⁸ Robert Reich, U.S. Secretary of Labor, depicted our situation today when he spoke of three classes of people in America: an "overclass," living in the safety of elite suburbs, an "underclass quarantined in surroundings that are unspeakably bleak," and a new "anxious class" trapped in "the frenzy of effort it takes to preserve their standing."⁹ Few deny that inequality has widened dramatically in the past twenty-five years, especially in the past few years. The debate is over what causes it and whether anything can be done about it and whether anything should be done about it. Some have argued that intelligence largely determines how well people do in life. The rich are rich mostly because they are smart, and the poor are poor because they are dumb, and the middle class only has average intelligence. And because intelligence is essentially innate and genetic, this expanding inequality cannot be stopped.

But most social research refutes that claim. No doubt, some inequality is a result of natural endowments (intelligence, talents, etc.) and some is the result of voluntary choice (some chose to be ministers or teachers and others choose to be attorneys), but most inequality is a result of the social context in which one is born, such as the quality of family and community life and the quality of the schools one attends. That social environment largely determines the opportunities one has, and how individual traits, even genetic ones, translate into material advantages. And much of that social environment is shaped by public policies, deliberate decisions made by federal, state and local governments.

Many have argued that inequality is necessary for economic growth and incentive and to keep us competitive in the global market. Some people need to have great wealth in order to provide capital for investments which will produce more jobs and keep the economy growing, thus benefiting all. One economist has called it the "big trade-off" between equality and efficiency — the more equality there is, the less efficiency; the greater the inequalities, the greater the efficiency.¹⁰ Some studies, however, have questioned the validity of that theory and suggested that inequalities may even retard economic growth. Indeed, the twenty years following World War II was a period of rapid economic growth in our country, and also an era of greater equality of income. But even if there is some truth in the argument that inequality is necessary for economic growth, one must still ask, "how much inequality is necessary for efficiency, for incentive, for economic growth?"

It is instructive to note that the United States has greater economic disparities today than any of the developed countries in the world. Our competitors in the global market are also modern, affluent, democratic, and capitalist nations, and yet they have found ways to reduce inequality and remain competitive with reasonable levels of economic growth. They face the same global competition that we do and yet have managed to develop patterns of inequality less divisive than ours. Ironically, it was not long ago that Americans were proud of comparing their relative egalitarian society

to the class-riven, heirarchical societies of Europe, but in the past couple of decades we have become what we once denigrated - the most class-riven and heirarchical society in the industrial world.

If Christian theology compels us to make equality the presumption, is there any argument for inequality that can be justified and bear the burden of proof? I believe the Christian community can affirm with philosopher John Rawls who has argued that inequalities can be justified only if they result in compensating benefits for everyone, and in particular for the least advantaged members of society.¹¹ This argument was given long ago by Aristotle who suggested that a just society was one in which inequalities are generally perceived by the citizenry as necessary for the common good. The Christian faith does not compel us to be absolute egalitarians, arguing for an equal piece of the economic pie for everyone, for such absolute equality would sacrifice other components in the biblical vision of justice and is unattainable amid the complexities of human existence and unwise amid the realities of human sin. But it does call us to question whether the current enormous economic disparities in our country are benefiting the least advantaged members of society and necessary for the common good. The evidence seems to indicate otherwise.

Indeed, many observers of our society today are concerned that our growing disparities could tear apart the fabric of our society, threaten our social stability, and further weaken our sense of community in America. Is the rising crime rate and growing alienation of young people evidence of that? Is this economic polarization stirring up class and racial resentments which could poison our national life? At what point does economic inequality begin to undermine our national character? Roman Catholic scholar, Michael Novak writes in a new book, *Business as a Calling*: "Business executives are blind to the social destructiveness of current levels of compensation. . . .Moral leadership from somewhere in business must step forward."¹² In response to the gross disparity between CEO salaries and those of average workers today, John Leo writes in *U.S. News and World Report*: "These are combustible numbers. How long can any sane society tolerate an ever widening gap between the average worker and a new, self-enriching class of ultrawealthy managers?"¹³

It needs to be pointed out that the October 1996 Census Bureau report indicated that economic indicators for 1994 regarding these issues were more encouraging. According to its report, in 1994 we witnessed the biggest drop in child poverty in twenty years, the biggest drop in the number of people living in poverty in twenty-seven years, and the biggest drop in income inequality of working families in twenty-seven years. Whether these figures indicate the beginning of a long-term change in direction or are simply a temporary drop in the long-term growth of inequality will be seen only in future reports.

What is the role of the Christian community in the midst of these growing economic disparities over the past several decades? Let me offer several suggestions:

First, I believe we are called to sound the alarm and insist that the gross disparities today are morally and theologically unacceptable and that the issue of economic inequality be placed higher on the church's and national agendas. Such a prophetic witness will not be popular among many of our constituents since they are among the "haves" in our increasingly polarized society.

Second, we can support public policies which can reduce the gap. The gross inequalities we have today are not inevitable, but can be mitigated by public policies,

such as strengthening our public schools (perhaps the greatest leveler in our society), making higher education available to all, increasing the minimum wage, strengthening labor unions, providing child care for poor families, reestablishing a more progressive income tax, reforming campaign financing and lobbying, placing a cap on mortgage deductions, reducing “corporate welfare.” Other nations have done it, and we can do it too if we choose to do it. Some would argue that we must also restrict immigration and raise trade barriers. All such proposals involve painful trade-offs between conflicting values, but together we must make some difficult decisions if the disparities are to be reduced.

Third, we must soften the consequences of economic inequalities by doing everything we can to ensure that all Americans have access to good schools, health care, adequate food, housing, jobs, and safe neighborhoods. If one’s social context influences where one ends up on the economic ladder, such measures would not only soften the consequences of economic inequalities, but also go a long way toward reducing them. They would help fulfill our national goal of “equal opportunity” for all.

Fourth, we must faithfully preach the gospel of God’s unconditional love for all, and keep reminding ourselves and others that each person is of infinite value, and that we are all one family, brothers and sisters in Christ. Such a proclamation can transform our hearts and minds and move us away from the insidious individualism that is sweeping our land and help us recover a sense of community and our egalitarian heritage.

Fifth, perhaps the most powerful witness the church could make to our society would be to adopt a maximum salary for ordained clergy. The disparities of income among clergy are much less than those that exist in other sectors of our society, but they are cause for concern. In the Presbyterian Church (USA) presbyteries have established minimum salaries, but what a powerful and prophetic witness it would be to “go against the grain” of our culture, to demonstrate “an alternative vision” for our society if governing bodies would establish maximum salaries for ordained leaders of the church!

Notes

¹ George Will, “What’s Behind Income Disparity,” *San Francisco Chronicle*, 24 April 1995.

² *USA Today*, 15 November 1995.

³ “A Labor Day Report,” editorial, *The Charlotte Observer*, 4 September 1995.

⁴ *Ibid.*

⁵ David Gergen, “Squeezing American Workers,” *U.S. News and World Report* 22 Jan. 1996.

⁶ *Ibid.*

⁷ *Ibid.*

⁸ Claude S. Fischer, *Inequality By Design, Cracking the Bell Curve Myth* (Princeton, NJ: Princeton University Press, (1966), 3.

⁹ Robert N. Bellah, “Building Together in Love; A Church for the Future” (Lafayette Orinda Presbytery Church, 23 March 1996), 3.

¹⁰ Arthur Okum, *Equality and Efficiency: The Big Tradeoff* (Washington, D.C.: The Brookings Institute, (1975).

¹¹ John Rawls, *A Thorn or Justice* (Boston, MA: Harvard University Press, 1971), 14-15.

¹² Michael Novak, “Business as a Calling.”

¹³ John Leo, “When \$20 Million Isn’t Enough,” *U.S. News and World Report*, 9 Oct. 1995, 26.