

Robert Reich: “Inequality and the New Billionaire Political Bosses”

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Summary by Pat Kuhi

There is a deep political gulf between Cambridge Massachusetts and Berkeley California. This is a serious problem!

We now have a perfect storm: economic inequality. There are extraordinary resources in the hands of very few people. Some analysts say this is greater than ever before.

There is great discrepancy between salaries of the rich and poor: \$1700 an hour for hedge fund managers and \$7.25 an hour for minimum wage workers. Eighty-five % in country supports increase in minimum wage. This would not lead to more unemployment because the increased wages would be turned right back into the economy and support more jobs. When the minimum wage was last increased there was an unusual increase in jobs. This does not mean necessarily that the wage increase caused the job increase but it certainly did not cause a decrease in jobs as critics claim will happen.

There are secret pools of money directed into politics, protected by the 501(c)3 category, supposedly 'welfare' who do not have to disclose their sources of income. Thus they are able to function outside our normal political system.

By contrast a report by political scientists, due out this fall, which studied 1700 decisions made in Congress prior to Citizens United, found no effect of interference by outsiders.

The country is being segregated by our political preferences. This segregation is the worst since such things were measured. WHY?

There have been only two periods of such divisiveness in the last 200 years: one in 1880-1920 and the other now.

There have been 2 peak years of inequality: 2007 and 1928: after both the bottom fell out of the economy. The working class could not keep up, fell into debt. This led to fear and frustration which was exploited by demagogues on the right and left. Immigrants, the rich, Blacks and Latinos and others were blamed. This in turn brings out paranoia and polarization. People expect the worst of each other.

There is now a degree of suspicion, anger and nastiness never seen before. Congressmen and Senators used to work together to solve problems, dine together. For years I had a close friend Alan Simpson, a Republican Senator from Wyoming. We agreed on nothing politically but we liked each other and often had lunch together. In the 1990's our staffs objected to our meeting so we met clandestinely. Now no one is talking to each other. Washington reflects the country.

People feel the system is rigged against them. There is a lot of similarity between the concerns of those on the right and left. I've become acquainted with some members of the Tea Party. We are totally agreed that there needs to be at least a five year moratorium before a member of the Senate or Congress can work for those over whom he or she has held oversight authority. Eric Canto was defeated by David Brat who accused him of sleaze, crony capitalism, being in with big corporations. Two weeks after the end of his term he was working for Wall Street for a start at \$1.8 million.

There is a lot of work to do! The League has a lot of work to do!

1. First, reverse Citizens United whether it takes a Constitutional Amendment or a new appointment to the Supreme Court.
2. Public financing of elections. There are presently bills on Capitol Hill, one proposes large grants by the government to match small contributions by individuals.*
3. Full disclosure law for political contributions. Now even shareholders do not know what their companies contribute to politics.

There is a lot of cynicism about politics. This is impeding solving the problems. To be cynical is to concede defeat.

In 1901-14 there was a progressive era in the U.S. People looked at low income of workers and the political influence by the wealthy, either individuals or corporations. Under President Theodore Roosevelt the first laws were passed to forbid corporations from contributing to politics. The 8 hour day and extra pay for over-time were instituted.

There was reform again in the '30's, Civil Rights in the '60's, in the '70's Environmental Protection, recently marriage by homosexuals and a Black President. The U.S. has an extraordinary capacity to reform itself. The public just needs to understand what is at stake. If you have friends in the red states, contact them and let them know what the issues are.

1. Question: How do we move from an economy based on depletion of our natural resources to one that is sustainable? Answer: We need a carbon tax, the earning from which will pay for earned income credit to increase the income of the lowest among us. Equity and sustainability can exist together and should support each other.
2. Question: How do we make change when the occupy movements didn't get anywhere. Answer: There are no countervailing interest groups anymore to balance the big money ones.

Thomas Piketty in his book "Capital in the Twenty-First Century" notes that there has been a tendency over the last 300 years to reward capital more than labor, that this tendency is almost inherent in capitalism. Yet between 1929 and 1981 there was a surge towards greater equality in the U.S. and other countries. In the 1960's CEO's made on the average 20 times the wage of the average worker. Now they make 300 times that amount. In the 1950's 35% of private sector workers were unionized. Now 7% are. Those workers not in unions benefited because employers knew they could not hire workers at lower wages. 'Unions had countervailing power' to quote economist, Kenneth Galbraith.

3. Question: Is economic inequality caused by politics or capitalism? Answer: It has a political cause. In other countries which have globalization etc. economic inequality is not so extreme.

Berkeley has the greatest economic inequality of any city within the Bay Area. This is to be commended because the City has been successful in keeping low income residents in a city where some of the wealthiest in the Bay area want to live.

We need to avoid segregation by income. Seattle and San Francisco are becoming totally rich, L.A., Cleveland and Detroit are becoming mostly poor. People have no contact with people different from themselves. The Tea Party and I agree that there should be no banks too big to fail. The Tea Party and the left need to unite to prevent another bailout. We need to disassemble the biggest banks and regulate the rest.

Right below the anger and frustration is an army of people willing to be mobilized for economic change. It now is a tinder box. Where is the leadership? In 1901 Teddy Roosevelt lighted the match. The elite at the time also realized they would be severely threatened if change did not occur. That is all true now. The next President will have a great opportunity. But we cannot wait for her. We need to work now.

* This is HR 20 (Sarbanes), a Democratic Congressman from Maryland. The Government by the People Act of 2014: To reform the financing of Congressional elections by broadening the participation by small donors and for other purposes. The League doesn't support it because it allows a candidate to carve out a dedicated SuperPac to raise unlimited amounts. What is the point of public financing if the candidate(s) can raise unlimited funds on the side?