# Redesign the Economy or Lose the Republic: Inequality, Incumbency and The War on Liberty

*How the language of liberty and economics is being used to undermine liberty, and what might be done about it.*

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*Apercu: The issue is not inequality, it is runaway inequality! The structure and incentives of the present economy are flawed and will drive inequality relentlessly upward without limit, concentrating ever more of the nation's wealth and financial power in ever fewer hands. We can argue about any reasonable degree of inequality. But there can be no argument that ever more extreme concentration of financial power will end in tyranny – a small, de facto hereditary, financial aristocracy controlling the nation for their own advantage at the expense of the general welfare and liberty – with government of the people, by the people and for the people long since perished.*

*It is not inequality per se, not free enterprise, wealth or making a fortune, that threaten liberty. In a sound economy these can all serve the general welfare and liberty. It is the ever more extreme concentration of financial power driven by runaway inequality. Constraint will require redesign of the economy and other necessary institutions with mechanisms which prevent this excessive concentration. Implementing such constraints to preserve the Republic will require the leadership, support and resources of the privileged as well as the general public. Will they answer the call?*

## Introduction

This message is addressed to all who believe themselves good Americans, who deeply subscribe to our stated Constitutional obligations to "promote the general welfare" and "secure the blessings of liberty" for "we the people"... all of us and our descendants. Who therefore believe Americans forever pledged by both our history and founding documents to prevent any privileged few from gaining sufficient liberty, power and wealth, no matter how legitimately won, to threaten, restrict or tyrannize the wellbeing and liberty of the many, to aggrandize their own welfare and liberty at the expense of the general welfare and liberty. It matters not who the few are or how they accumulate such power, the nation is pledged by both its Declaration and Constitution to tame the power of any such few should they arise, sufficient to reestablish promoting the wellbeing, rights, and liberty of all.

Our forefathers fought a Revolution to secure and guarantee Americans these rights...freedom from tyranny by the few and the blessings of liberty to the many. Successive generations have fought and died to defend and extend those blessings to include us all. If you hold these principles sacred, as I do, principles this nation pioneered; if you believe it is these principles that have made this nation great and are what make it exceptional; then be forewarned. For our turn to defend them has arrived: I believe the general welfare and liberty of this nation in grave and growing peril still scarcely visible to most of us.

Some think the problem is inequality, currently a hot button of the day. We see inequality rising, and that has raised controversy. Debate rages whether our current level of inequality is too high or not. I believe this debate misses the point. We can quibble forever over whether any specific level of inequality gives too much power to the few or is simply a proper incentive for enterprise and the just rewards for talent, effort, and contribution, prompting envy by the have-nots. It seems to me the growing peril arises not from inequality itself. Indeed, I shall show a certain level of inequality is necessary to optimally promote the general welfare and liberty.

The threat, I fear, is much graver and deeper. We see the rise in inequality but what we do not see and appreciate is that this is not a one-time or random fluctuation. The rise is now being driven by a structurally flawed economy and there are no built-in brakes. We are in the midst of steadily rising inequality which the current economy not only encourages but against which it offers within itself no check. I will show that it structurally *under*-rewards economic activity that promotes the general welfare, and substantially *over*-rewards economic activity that gradually and endlessly concentrates ever more of the nation's wealth – and the power of that wealth – in ever fewer hands at the expense of the general welfare. And I can find within it no damping or limiting mechanisms that will stem the rise. Largely unplanned, unintended and almost unseen, the nation has drifted into an unsound economic structure that will slowly and inexorably concentrate ever more wealth and power in ever fewer hands *without limit*. Without correction, the current economy guarantees a steady and unlimited rise of inequality.

Thus the threat is not static, it is dynamic. We can debate what is a fair and just level of inequality that optimally promotes the general welfare and liberty while preserving and fairly rewarding individual initiative, risk and effort. But there can be scant argument against taming its present runaway character, because there can be no debate that undue, extreme concentration of the nation's wealth and power in the hands of too few, no matter how legitimately acquired, is not liberty, it is despotism, it is tyranny. It must be restrained.

Moreover, the threat is immediate. Even though the endgame – extreme concentration that would in fact have long since extinguished liberty de facto – may take one or two centuries, there are strong signs, as I will demonstrate, that we are rapidly approaching a tipping point beyond the power of the Constitution to contain. In the absence of firm countermeasures, by the time it becomes apparent to all, this slow runaway concentration will be an unstoppable juggernaut to despotism. Without urgent, adequate countermeasures, the slide into tyranny may soon be irrecoverable short of armed rebellion. If we do not act shortly to honor and firmly exercise our Constitutional pledge by institutionalizing acceptable restraining mechanisms in the economy and any other necessary institutions, mechanisms limiting, not wealth, but rather, undue concentration of wealth and financial power, we will lose the Republic.

While I have no simple solution how the economy and any other necessary institutions ought be redesigned to best tame runaway inequality of wealth and power, I will suggest what I think a starting point and hope all will join in until we arrive at an adequate solution that we can act on.

I suggest the first and most important point is that the nation's level of inequality is a political decision, not some magical outcome of the market. The economy *can*, in fact, be designed, intentionally, to set and maintain whatever specified level of inequality the nation deems best promotes its Constitutional goals. Markets and the economic system are means, not ends: an economy that promotes the nation's goals is sound and should be kept in good repair; an economy that obstructs or defeats the nation's goals is unsound and should be redesigned.

Perhaps the second most important point is that proper redesign of the economy will be less a technical than a political problem. The technical problem will be difficult but soluble, the nation has ample technical talent up to the task. But to put in place this technically sound, redesigned economy – one sufficient to save the Republic from eroding into despotism – will require political leadership and organization that must come from both the privileged and the grassroots, the same combination that carried the day in the original American Revolution. Without the participation of both, implementation is unlikely to succeed politically, sentencing the nation to the death of liberty.

In other words, we must ask the privileged to join in establishing means that *appropriately* restrain their personal liberty and welfare in the interests of protecting the general welfare and liberty, just as in their time George Washington and many other privileged Americans did; to join with, indeed lead, the grassroots to come up with and permanently institutionalize acceptable mechanisms sufficient to prevent undue concentration of wealth and power and protect the nation and its commitment to the liberty and wellbeing of all. We will need their ability, leadership and influence to succeed.

This may all sound wild and alarmist to those who haven't looked deeply into the matter – such a dire endpoint could never happen here, you may say. But I have looked deeply and ask you to follow the logic and evidence. I will show such a dire endpoint not only possible but probable: it has happened before under the same runaway forces. And it plunged the world into tyranny for millennia from which only the West has now begun to recover and even that only in the last couple centuries. I may be wrong and would be delighted if I were. But if the argument is correct, as I believe, then there is grave peril of a second descent into tyranny. Let us not have another "Pearl Harbor" where in indecision and denial we slept ...and slept and slept... till dawn and catastrophe.

## Summary

Data and research to support the many assertions in this summary are presented in the body of the text, but for clarity let us first see the forest before beginning the slog through the many trees.

### The first great catastrophe to human liberty

Some ten thousand years ago the greatest disaster to liberty in history befell mankind, provoked by the rise of agriculture. Prior to agriculture – and contrary to much popular belief that human life was "solitary, poor, nasty, brutish and short...a war of all against all" as Thomas Hobbes would have it – solid research evidence suggests that most of our hunter-gathering ancestors were substantially bigger, healthier and, if not killed by injury or conflict, longer-lived than their post-agricultural descendants, who did not begin to catch up until a century or two ago. Most of these bands worked less long and hard for their livelihood and had more leisure than agricultural and modern societies – one expert wittily termed them the original affluent society! And most of those who lived in so-called *immediate-return bands* (acquiring wild resources as needed) as opposed to *delayed-return bands* (using wild resources requiring husbandry or storage), lived in fiercely egalitarian, sharing groups with no coercive hierarchy. Leaders in these bands had persuasive but not coercive power, leading by influence and social consent not physical force. While research has not settled on the degree of conflict between bands of our earliest pre-agricultural hunter-gathering ancestors, it is indicative from present immediate-return hunter-gathering groups, particularly those not in contact with agricultural or pastoral peoples, that most of these groups, certainly not all, arrived at social mechanisms to minimize violence not only within their own band but with other bands. While delayed-return hunter-gatherers had, to varying degrees, less liberty and equality and more conflict than immediate-return bands, none approached anywhere near the disastrous lot of most of their agricultural descendants: grinding labor, grinding poverty, diminished health and longevity, and unprecedented inequality: utter servitude to a small overclass having inordinately superior rank, power and wealth. In short:

- *Much of pre-agricultural mankind lived for hundreds of thousands of years in high liberty, high wellbeing, and low material wealth*.

Contrast this with their descendants a few centuries after the rise of agriculture:

- *The vast majority of post-agricultural mankind lived in poverty and servitude and high material wealth ... but in the hands of very few*.

This unprecedented new order, tyranny by the few over the many, was unknown to mankind in the previous hundreds of thousands of years of our hunter-gathering existence. Absolute monarchs, aristocracies, empires, slavery, abject massive peasantries scarcely at subsistence ... all these were utterly new institutions under the human sun, not some ineluctable natural state nor an inheritance from our pre-agricultural ancestors. This tyranny arose independently all over the world everywhere that agriculture did, and everywhere entrenched itself within just a few centuries. It has now lasted millennia and still holds sway in most of the world! Only in the last four centuries has it begun to be tamed by radical steps taken in the West, initiated in practice in great part by our new republic, the United States.

Few people today are aware of this great tragedy nor grasp its magnitude. Despotic hierarchical tyranny is so commonplace in recorded history it is not only *not* considered odd (which it certainly is compared with prehistory), it does not even occur to people that it could be any other way. Think of the enormous loss to human wellbeing. How could such a calamity to the liberty and wellbeing of virtually all mankind even occur? How did such a catastrophe come about and why does it continue? More dire, it may not be the last: mankind appears on the verge of a second such catastrophe that will sweep the world including the West, undoing the great good of the last four centuries.

**The rapidly rising threat of a repeat catastrophe**

I believe we now understand enough of the forces behind this first historic catastrophe to see how it happened. Worse, I believe we now understand enough about them to advance an argument, which unfortunately I am finding more and more persuasive, that we are likely on the threshold of a second, equally great collapse of human liberty. I will introduce a concept I term *incumbency* to explain why this may be so:

> <u>Incumbency</u> is the increasing power of those who hold power – the incumbents – to acquire more power, the more power they acquire. It is an escalating, runaway phenomenon.

Incumbency is the fatal enemy of liberty. Unless brought under permanent institutionalized check by advocates of liberty, it ends in tyranny, the more extreme the longer allowed to persist.

Agriculture was not the problem; indeed, it saved mankind from an overpopulation crisis beyond the capacity of hunter-gathering societies to support. Rather the problem was the incumbency power unleashed by agriculture. The capacity of agriculture to produce a surplus in large settled populations conferred incumbent power upon *organized physical force* not possible in small mobile foraging bands. By *incumbency of organized force* is meant the <u>increasing power of those who control organized force – the incumbents – to acquire more force, the more force they acquire</u>. One sees the beginnings in any leader with the skill to organize a group of thugs who can forcibly expropriate the produce of others for themselves...gang leaders, warlords, petty tyrants, etc. Anyone who can deny you necessary resources has power over you; you must do what they say to get what you need to live. By using their ability to organize and control physical force and use it to take control of the distribution of resources, such leaders assumed power. Independently wherever agriculture emerged in the world, within a couple or so centuries there followed city-states with aristocracies (self-declared by laws they themselves decreed and enforced), and ultimately rulers, organizing and controlling the use of force in their polity. This became a runaway phenomenon as these incumbents of organized force ate each other up in orgies of conquest, forcibly amalgamating city-states into kingdoms and kingdoms into empires, concentrating control of ever more organized force in ever fewer hands, eventually into tiny hereditary aristocracies exercising tyranny over the mass of mankind. This tyranny has lasted millennia, finally broken only when the incumbent power of organized force was tamed in the West by careful and unprecedented redesign of age-old institutions. In societies that maintain these redesigned institutional arrangements, the surplus produced by agriculture and industry no longer confers incumbent power upon organized force.

Now I have come to believe we are presently on a second threshold where incumbency power is again being unleashed, but from a different source. The source this time is the rise of market economies. Again, no more than agriculture, it is not free enterprise and market economies that are the problem. They have been the solution again, this time to reducing poverty beyond the capacity of agrarian societies to support. Rather, the problem again is incumbency. Poorly structured market economies are conferring *incumbent power*, not upon organized force as previously, but this time *upon capital*: <u>the increasing power of the holders of capital – the incumbents – to acquire more capital, the more capital they acquire</u>.

Again this appears to be an uncontrolled runaway phenomenon, concentrating ever more of the nation's (and world's) capital in ever fewer hands, and with it, the ever greater attendant financial power and control over others. And, again, I believe the solution to stem this fall into tyranny will be similar to the previous one: namely, taking the steps necessary to redesign whatever institutional arrangements are necessary to rein in and permanently curb the incumbent power of capital – I emphasize, not curb capital itself, vital to a dynamic economy, but rather curb its growing incumbent power – so that that power will be held in check by well-structured market economies. I believe failure to recognize the threat and take adequate steps will again ultimately consign the mass of mankind to increasing poverty and servitude to an ever smaller, ever more privileged few, again perhaps for centuries as the previous catastrophe demonstrates, requiring another armed revolution to bring to heel.

I ask that you follow the logic and evidence to assess how sound the argument is, that this is not some extremist or alarmist conclusion. If as sound as I think it, then Americans loyal to the founding principles of this great nation, whether rich or poor, have a huge task ahead: to save the Republic from falling into permanent tyranny and rescue its commitment to liberty and justice for all.

### The nature of the threat

An economy is a large societal system for creating and distributing wealth. Economies are not created by God or nature, they are created by a society – either intentionally (e.g. Adam Smith) or more usually by topsy and special interest. My reading of the economic evidence suggests the design of our present economy is fundamentally and fatally structured to feed the incumbency of capital, undermining liberty and the general welfare: that without major intervention to redesign this economy, it will gradually and ineluctably concentrate more and more of the nation's wealth in fewer and fewer hands, the longer it persists as presently structured. This analysis, presented in the main text below, should be carefully examined to check that such a dire conclusion is warranted.

I emphasize that the enemy to liberty and the general welfare is not inequality per se (indeed a healthy degree of inequality is necessary in a sound market economy, as I shall show), nor is it capital. It is not wealth, not markets, not free enterprise, not entrepreneurs, not making a fortune. All of these in a *properly structured* market economy can promote liberty and the general welfare. The enemy is incumbency: the present incumbent power of capital unceasingly driving an ever greater concentration of the nation's wealth into ever fewer hands, where those few increasingly become in a position to use that wealth to shape the media, public information, the economy, and the government to their own ends at the expense of the general public.

Constraining inequality from rising without limit will require taming the incumbency power conferred on capital by the present economy. Failure to do so will destroy the Republic. The threat is not abstract or academic. There appear more and more signs, which I offer later for your assessment, that the threat to liberty from undue rising inequality is already well underway, is serious, and is accelerating.

## The nature of a remedy

A possible start on a remedy to restrain and remove incumbency power from capital may be to take a page from the founding fathers, who tamed the first great tyranny, the incumbent power of organized force.

The founders drew the fangs from the first great tyranny by a process most of us now look back on as matter of course and obvious, but which was in fact almost wholly unprecedented at the time and still is. With great courage they took age-old institutions – (1) government, (2) religion, (3) the military, and (4) the aristocracy – institutions which the orthodoxy of the time thought natural, necessary, even divinely established; and thus ineluctable – and intentionally redesigned them. They designed them specifically to achieve the goal they sought: a well-functioning system of governance for the nation, responsive to its citizenry, where the few could never again tyrannize the many or vice versa.

- ○ They stripped the aristocracy of political power and replaced them with an elected Constitutional republic, with checks and balances to protect the rights of any minority from the majority, and the rights of all from the government itself; so that the many could not tyrannize the few, nor the few the many.
- ○ They separated religion from political power so no faith (or state atheism, as in some countries today) could politically impose its power or beliefs upon those of other faiths or no faith.
- ○ They stripped the military from the aristocracy and professionalized it, thereby breaking the aristocratic monopoly on organized force, and placed it firmly under civilian control.
- ○ They abolished aristocracy itself. *

We must appreciate how radical and fearsome these actions. Many feared that a society based on such unheard-of institutions with no king would descend into chaos if not outright incur divine wrath.

> [* Note. Unfortunately, the founders only did away with a legal overclass, not a legal underclass Sadly, they did not grant equal rights to women, nor, worse, abolish slavery, so that the majority of Americans still remained legally denied their inalienable rights. It did not occur to these other-wise laudable gentlemen to question the millenniums-old belief in the presumed superiority of their own gender and race which – though clearly outrageous to modern thought – was taken for granted by even the most eminent thinkers of the time. We should not hold it against them. They were already challenging so much age-old conviction at such great risk – the idea that all men had inalienable rights was such a radical advance – we should be grateful for the extraordinary

> progress they bequeathed us. Going beyond them has been posterity's task. Legal rights for women have since been gained by long hard political struggle, but abolition proved beyond the political process in America and required bloody civil war – we were the only nation that could not eliminate this evil peacefully. While equal rights for women and all races are now law of the land at great cost, they are far from resolved in practice. The task now falls to us.]

I believe much the same must be done today: certain institutions, most notably the present economy, must be deliberately and foundationally redesigned. No more than government, nor aristocracy, nor the powers of the military nor any religion...there is no particular form of market economy that is natural, or necessary, or divinely ordained. Like all institutions a market economy is a product of human action. And like all institutions, if it is not accomplishing the goals society desires of it – in particular promoting the general welfare and liberty – a market economy can be redesigned by human action to do so. In short:

- The present economy appears pathologically structured against liberty and the general welfare in favor of concentrating more and more capital in the hands of ever fewer holders, whose financial power is now rising beyond the power of the Constitution to contain.
- In the same way that the Constitution was a redesign of government to prevent the tyranny of the few over the many, the present economy and any other necessary institutions must now be redesigned to the same end, to complement and support the Constitution and its foundational goals of securing liberty and the general welfare.

Constitutional amendment may be required to implement, preserve and protect these redesigned institutions.

**Accomplishing the technical task**

There are two main tasks involved: the technical task of redesigning our market economy and any other necessary institutions to protect the general welfare and liberty; and the political task to implement the new designs. Neither will be easy, but the political task will be much the more formidable.

The technical task is complicated because not only must it prevent undue concentration of wealth at the top, it must also do so without compromising proper incentives. As Adam Smith has taught us, in a market economy there must be adequate incentives – financial and cultural – fairly and justly rewarding effort, successful innovation, and entrepreneurial risk-taking, and discouraging shirking, free-riding and other economic activity undermining the general welfare. The safety net in the redesigned economy must offer no permanent dole for the able-bodied, and any public assistance for dependents and the vulnerable must include incentives at their level of ability, as well as include incentives for their care-takers and providers, to exercise prudence and economy with the taxpayers' dollars. And equally, neither may the redesigned economy promote the welfare of the privileged at the expense of the taxpayers and the public. Despite this technical complexity, the necessary expertise seems in hand among the relevant technical fields, and competing teams of specialists can be set to work to provide options for our elected decision-makers. It is those with the authority of the electorate, not any technical experts, who must make all final decisions.

## Accomplishing the political task

Some barons of concentrated wealth may strongly resist any attempt to curb their continued acquisition of more and more wealth and power, claiming they are doing nothing wrong, that this is infringement on their rights and liberty guaranteed in the Constitution, and it is simply the envy of the masses trying to level them down to the herd. Since they already appear to possess formidable and steadily increasing influence and power over the media, public opinion, the economy and government, their resistance may prove overpowering.

A great problem is that too many of the privileged unthinkingly equate their individual liberty to the general liberty. That equation is fallacious; these are two very distinct concepts. The distinction is important because both are goals and they can conflict, and society must find a way to strike an acceptable balance. I point out that the Pledge of Allegiance, drawing on the stated goals and principles of the Declaration and Constitution, promises "liberty and justice for all" not just the few. Thus <u>one cannot conflate one's personal liberty and welfare with the general liberty and welfare</u>. It is the latter that the Constitution guarantees, not the former. Liberty according to America's founding principles and documents means the liberty of the general public. Therefore, to protect the general liberty, personal liberty cannot be unlimited.

- <u>Individual liberty has limits:</u> *if and to the extent that the personal liberty of one or a few threaten the general liberty of the many, then, to that extent and only to that extent, curbs must be placed on the personal liberty of any such few.*

When any person or group's individual liberty begins to threaten the general liberty, it is no longer liberty, it is becoming despotism. Liberty must protect itself and we cannot allow sloppy use of the language of liberty, whether unintended or (often) deliberate, to undermine liberty. Indeed, a deliberate effort to conflate, confuse, and equate the general liberty with unlimited personal liberty is presently the goal of an extraordinary, relentless, lavishly financed propaganda campaign by a small group of the very rich. Even a majority of the Supreme Court seem confused and unable to make the distinction.

Curbs on extreme concentrated wealth are hardly curbs that any normal person would regard hardship to any individual's liberty or welfare. The nation had no compunction about restricting the over-vast liberty of the King ... (himself every bit as incensed as any current financial baron might be at this abridgment of "his" liberty and "his" rights). And the nation had every right and responsibility to do so, to protect its stated goal of the general liberty and wellbeing. So I would admonish such affronted barons, if you and any few peers of extreme wealth increasingly accrue concentrated power collectively approximating a king, it makes no difference whether you are a good king or a bad king, whether you have achieved this power legitimately or otherwise, your rights and privileges must be appropriately abridged. You have the right to liberty but not license. You cannot scream about your rights and liberty if they have become de facto so great as to erode the rights and liberty of the general public. They have grown beyond liberty into tyranny.

On the other hand, I believe there are many honorable, quite wealthy barons in business and finance who have neither awareness nor intention of undermining the nation's goals of liberty and justice for all. They are doing what they have always done, and done very well, and simply have no idea there might be anything wrong with this. Indeed they may unthinkingly equate their activities with promoting the general welfare and liberty, indeed the best way ever found to do so. But if they grasp and concur that an undue and ever increasing concentration of wealth at the top is undermining liberty and leading toward tyranny, they may decide that their allegiance to the nation and its founding principles demands that such excessive concentration be appropriately curbed, that the preservation of liberty trumps personal self-interest, and they have a responsibility as leaders in the nation to take action to preserve the Republic and its values.

Taking such action would hardly mean great financial sacrifice; they certainly have no great need personally for more wealth and power – at their level, isn't it little more than pride in doing what they do so well, and ego-rivalry with peers? And how proud could they be of a legacy of being the leaders who allowed – or abetted – the nation to drift into despotism? Might they not rather leave an honored legacy of leading a new generation, a founding second generation, to preserve the Republic?

One must hope there will be many. They would not be the first to place permanent curbs on their power and wealth in pursuit of liberty for all. Taking again a page from the original taming of the first tyranny, the founding fathers included some of the most wealthy and powerful men in the colonies. They pledged their lives, fortunes and sacred honor to secure the blessings of liberty, not just for themselves but for all their countrymen and for us, their posterity. Little could have succeeded without them. John Adams estimated a third stepped up to the cause, a third vigorously opposed, and a third sat out on the fence. We must hope Adams' estimates still prevail today among the most privileged as well as the most ordinary Americans. Just as surely as two and a half centuries ago, I believe the daunting task ahead will not be successfully accomplished without both. [Hope is not a plan.... but if it is not alive, then how do we redesign national policy? I see no Plan B if not enough of the wealthy and powerful join the cause. That's why I am spending all these words to awaken and motivate them. Do you have something better?]

Consider George Washington, perhaps the wealthiest man in the colonies. He is justly called father of his country not simply because he served as commander of the Continental Army and first President, but because of his extraordinary formal restraint on his own personal power. During his entire period of military command, he regarded himself subordinate to the Continental Congress, constantly soliciting and pressing them on the needs of the War, acting only when he felt he had secured their consent. He restrained himself though he likely had the stature and influence to proceed without their official approval. Why such restraint? Because he deeply believed this the proper role of a commanding officer in a republic. And realizing his symbolic stature, he wished to model it as a powerful precedent. Later as President, admiration was so universal he could have held the office for life. Not only did he refuse the urging of Alexander Hamilton to formally become emperor of the United States, he voluntarily stepped down after two terms, again to deliberately set a powerful precedent for what he believed proper for the head of any republic based on the liberty and consent of the governed. His model of restraint on his own power and privilege, restraint that he so deeply felt necessary for our Republic, stunned the aristocracy and intelligentsia of Europe. Indeed, it made the idea of government without a monarch more than a philosophical fancy. It is this personal restraint for the good of the Republic in the face of potentially unlimited power and privilege, perhaps more than any of his other extraordinary accomplishments in shepherding the nation into being, that makes him so especially deserving of the title father of his country. And he was not alone. Many men of comparable power, wealth and stature joined him in similar risk, personal expense and personal restraint for the sake of accomplishing a Republic with liberty and justice for all. We most hope this precious combination of eminence with character is still alive and well in the Republic.

I do not believe the kind of fundamental redesign of the economy and other institutions needed today will be possible without men (and now, at last, women) of similar power, wealth and ability.  Grassroots support is vital.  But it cannot likely be accomplished by a grassroots movement alone without powerful, able, well-financed leadership, any more than could have the American Revolution and founding of the nation. Both those of high and ordinary station were necessary then, and will be necessary today. It is well that presently many wealthy citizens actively fund and support worthy charities – education, the arts, the fight against dread disease, here and abroad. But when the nation shows alarming signs of drifting into tyranny, those causes are trumped. We now desperately need this leadership, talent, support and funds in the cause of preserving the liberty that our founders gave so fully of themselves to bequeath us. Without it, we will likely lose the Republic. With it, this Republic with liberty and justice for all may be saved for ourselves and handed on to our own posterity.

Here endeth this somber summary, and I turn to the task of elaborating and supporting the many points offered.

# Part I.  Assessing and Controlling Inequality

## On Assessing Inequality

There has been much discussion of our high and still rising inequality in the United States, of the increasing concentration of wealth at the top while median income remains flat, and whether this should be a matter of concern. We now have the highest inequality among the industrial nations and it continues to rise. Some see this as unfairness and injustice, a consequence of the greed of the rich, giving them too much influence. Others dismiss this as envy. They see inequality as simply a natural and just consequence of liberty and talent, and see attempts to reduce it as class warfare by the have-nots infringing on the rights and liberty of the wealthy. Still others suggest inequality a side issue best left to benign neglect, that the real issue is the decline in social mobility, which has fallen behind Europe and continues to fall; we are no longer the land of equal opportunity we once were. While all these views have their merits, I believe they all substantially miss the point and its gravity. To assess whether inequality is of concern we must assess its impact against accepted national goals.

It is crucial that any nation with a set of specified national goals – and the United States has in its foundational documents one of the noblest sets of specified goals ever devised – structure its institutions so that their incentives, financial and cultural, strongly reward those goals preferentially over other less desirable behavior contrary to goals. A nation that does not will see its institutions drifting further and further away from its desired goals, following the actual existing unsound incentives. Should such malperforming institutions, enriched by the unsound rewards, become powerful enough, they may begin to influence and corrupt the statement or interpretation of the desired goals to their own advantage at the expense of the public interest. The goals desired by that nation will slowly evaporate in favor of the corrupted goals favoring the malperforming institutions. Such a careless nation may take a dark turn.

By institutions I explicitly mean here not individual organizations, but rather those large societal systems comprising many organizations and people, that serve a definable purpose for society: think government, the economy, the health care system, the business system, the public education system, the basic science system, etc., all examples of such large systems. (The technical term I use for these large systems is *macrosystem*, but I shall use it sparingly because of its unfamiliarity.) Many of these large systems are largely accidents of history with only familiarity to recommend them, but this need not be so.  Policies intentionally designing these large systems to align their structure and incentives with the societal goals desired of them I shall term *large system architecture*. America invented large system architecture; its first practitioners – our first ‘large system architects’ – were the founding fathers and they did an exceptional job. To skeptics who think a nation’s large systems cannot be deliberately designed, even those systems long entrenched or thought ineluctable, the founding fathers are a resounding refutation.

In fairness, I should say Americans co-invented large system architecture. Equal credit must be given Adam Smith, the inventor of free enterprise, who fundamentally redesigned the economy of his country. His new market economy became a model for the world quite as our model of government did, again refuting skeptics that an economy cannot be fundamentally rethought and redesigned.

Hence my point about properly assessing inequality: If the level of inequality is found to be promoting the nation's goals, then the job of policy must be to safeguard the structure and incentives of the economy producing it, so that this level of inequality will be maintained. Conversely, if the level of inequality is undermining the nation's goals, then the job of policy is to redesign the economy, and any other necessary institutions, so that its structure and incentives produce and sustain a level of inequality that *does* promote national goals.

## On the Stated Intentions of the Founding Fathers: the Nation's Explicit Goals

Policy design begins with goals. Policy is not to be confused with politics, which too often begin with means because policymakers cannot agree on goals. Fortunately, the United States has a very explicit set of national goals, set down in writing, on which virtually all Americans agree. At its inception the nation's founders set out their intentions clearly in a remarkable set of goals for the nation, enshrined in its foundational documents. Those who argue for "originalism" – that the nation should follow the original intentions of the founders – need only study the goal statements set forth by the founders in our Declaration and Constitution. While means are always a matter of great debate, and subject to ever changing circumstance over time, the founders' original intentions for the ultimate ends for this nation are not ambiguous. With the passage of time and the continuing proof of their lasting worth they have become rightly set in historic stone.

Therefore, let us begin by reminding ourselves of the founding aims and principles of the United States. It is these goals against which inequality must be assessed – indeed *they are the ultimate measure against which every aspect of our national life and activity must be assessed*. If the level of inequality is supportive of these goals, then all is well, the more supportive the better. But if the level of inequality is compromising or, worse, undermining the nation's goals, then it is undue and corrective action is needed ... the greater the threat, the stronger and more urgent the needed correction.

### From The Declaration of Independence of the United States

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. -- That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed.

### The Preamble of the Constitution of the United States

We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the

> Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

The Declaration and Constitution are two of the great moral documents of history, extending liberty and human rights equally to all humankind instead of a privileged few – human rights explicitly spelled out originally in a Bill of Rights, and then clarified and broadened in subsequent amendments to include all races, both sexes and at all levels of government. With a generosity of spirit unknown to previous governments, perhaps no more succinct and noble list of societal goals has ever been set out than our Declaration and Preamble. And unlike so many moral documents, the Constitution has proven brilliantly practical and a model for many successors. I believe true 'originalism' means that every passage of the Constitution and American law ought be read and interpreted through the lens of these goals set out by the founders. While the particulars of means, events, knowledge, technology and moral progress steadily evolve and now go far beyond what the founders could have imagined or meant in their own time, the goals they set out for the nation appear timeless, the truest statement of their ultimate intentions.

In the discussion below, although all the Preamble's goals will eventually enter, I shall be most immediately concerned with the impact of inequality on the last two:

- -- *promote the general welfare*
- -- *secure the blessings of liberty to ourselves and our posterity*.

If we wish to follow the intent of the founders, what possible notion, let alone intention, could the founders have had regarding, say, regulation of the airwaves or net neutrality, etc.? Simply that whatever policies are enacted regarding these or any other issues, new or old, if they are to pass through the lens of the founders' intentions they must promote the general welfare and liberty. That is real "originalism". Moreover, had the founders expected slavish obedience to their contemporary ideas, they would not have included the Amendment process, on which they lavished such careful attention. Yet even here Americans have largely followed their intent: most of our Amendments have simply broadened their original goals to be more inclusive and more just.

## A Proposition on Inequality and the Nation's Goals

Neither equality nor inequality of material wealth is a stated goal of the nation's founding documents. Thus they are a means not an end. I will now suggest that to maximally support the two stated goals, promoting the liberty and welfare of all, inequality must be neither too low nor too high. I will outline my conclusions here and then build the argument.

- There is a broad sweet spot, *a safe range of inequality*, which maximizes the general welfare and liberty.
- If inequality falls unduly below this range, it becomes an increasing threat to the general welfare and liberty.

- If inequality rises unduly above this range, it again becomes an increasing threat to the general welfare and liberty.
- In other words, both *undue* equality and *undue* inequality, as they become extreme, are a lethal threat to the goals and principles of our Declaration and Constitution.

We need, first, to support why this is so. We need, second, to arrive at both an understanding and a practical measure of when inequality is "unduly low" and "unduly high". By *undue* I shall mean threatening to the goals. We must inquire what is the range of inequality that appears reasonably safe, promoting the goals, and how can such a safe range be determined in practice with some assurance? Finally, we need to examine practical means for the nation to maintain inequality within this safe range.

## The Argument for a Safe Range for Inequality

The argument for the existence of a safe range for inequality, promoting and protecting liberty and the general welfare, follows easily from examining the extremes at either end.

<u>The Argument for a Lower Limit On Inequality</u>. There have been movements and nations that have tried to eliminate inequality, to reduce it to zero so that all citizens have approximately equal material wealth. This cause has inspired everything from small idealistic colonies up to mass movements and revolutions to install economic systems such as socialism and communism in which government controls all means of production and wages to accomplish this egalitarian ideal.

Worthy as such an ideal of equality may appear to some, the sad fact is that *empirically* all these attempts have done increasingly poorly on the two stated goals the closer they have come to equality, especially the larger their scale and the longer they have persisted. Their economy becomes increasingly stagnant and unresponsive to consumer needs and wishes, and uncompetitive in the world, undermining the general welfare. And when things get bad enough, this low a level of inequality ultimately can only be maintained further by tyranny, undermining the goal of liberty for all and our posterity. Democratic regimes have backed away from socialism, and despotic communist regimes have collapsed economically if they too did not back away. Hence one can posit from the empirical evidence alone that excessively low inequality, the closer it attempts to achieve equality, promotes neither liberty nor the general welfare.

The empirical experience with unduly low inequality appears not to be an accident but follows from logical cause. There is good *theory* explaining why large societies with such low inequality fail. Their failure cannot be explained away solely or even mainly by supposing them undermined by a self-seeking privileged class. (Eventually this certainly happens with great frequency in large-scale purportedly egalitarian economies, but less so in small-scale colonies which prove no more durable.) In economies of populous societies these systems simply do not accommodate the breadth of human nature nor of administrative reality. As Adam Smith taught us, there must be incentives on individuals and organizations that *reward activity productive of the general* *welfare* and *discourage activity unproductive of it*. Incentives mean there must be inequality, that productive organizations and individuals will receive more material wealth and status, unproductive ones less. This does not say how great inequality must be to allow adequate incentives maximally promoting the goals, only that it must be enough. How much might be enough will be taken up shortly.

Because equality entails the absence of incentives, the state has only idealism, ideological enthusiasm and public acclamation to motivate productive activity, and coercion and punishment to discourage shirking and other unproductive activity. Because any large group of humans contains as many sinners as saints (and most of us a mongrel mix of both), these means are simply too weak and transient to motivate and sustain for any substantial length of time a large dynamic economy workable across the vast variety of human nature. Equally bad, in the absence of adequate incentives the state cannot adequately decentralize economic initiative and must assume excessive *top-down command and control* over economic activity. A large dynamic economy simply demands too many myriad, rapid, specialized, expert decisions for any small body of planners at the top to process expeditiously, let alone well – no matter how brilliant, well-intentioned, public-minded and industrious they may be. Hence economies with too low inequality tend, as is observed, to become slow, ponderous, unresponsive and stagnant, and uncompetitive with market economies having appropriate incentives.

<u>The Argument for an Upper Limit On Inequality</u>. Now consider the opposite case: extreme high inequality. The most extreme would be where one individual possesses all material wealth except what he deigns to allot as subsistence and expenses to the remaining population to maximize his own welfare and power. (And a part of his expenses beyond maintaining a sufficient legal administration will be an armed 'Praetorian guard' to protect himself, and armed troops to suppress revolt and exercise dominion.) This is complete despotism, exemplified ranging from gang leaders and warlords to dictators and absolute monarchs.

Back off the extreme a bit to a few thousands of individuals holding the bulk of the society's income and assets, acting formally or in collusion to the same end: maximizing their power and wealth at the expense of the many. This certainly describes hereditary aristocracies, a form of de jure despotism that has obtained for millennia, and from which this nation freed ourselves some 250 years ago. But such despotism by the few does not require legally designated aristocrats. Quite independently of how they got there, any such collusive group that has clawed its way to this degree of power and wealth is simply de facto despotism rather than de jure, and is equally incompatible with the general welfare and liberty. This becomes all the more so if the few have garnered sufficient power to effectively pass their power and wealth to their offspring; it then becomes a de facto hereditary despotism by these privileged few. (Note, empirically we observe that usually a de facto hereditary despotism that persists for any length of time eventually enacts laws that make it a de jure hereditary despotism.) As we easily see around the world, such de facto despotic cabals, many of them de facto hereditary, can easily sustain their wealth, power and control even while maintaining a façade of democracy (if they even bother), controlling which candidates can run for office, controlling public information and the media, and manipulating voting eligibility and counts. Such control need not be de jure, merely de facto by the imbalance of financing, economic control, organization and influence the privileged cabal can mobilize compared to any opponents. Thus a privileged group, the smaller it is and the greater its privilege in wealth and power relative to the unprivileged population – i.e., the more *concentrated* its power – approaches quite as great tyranny as any absolute despot. Conversely, the larger, broader and more dispersed a privileged class and the less its privilege in wealth and power relative to the remaining population, the less despotic it can be. The question is how much must wealth and power be dispersed before we can declare liberty and wellbeing of the general population adequately promoted, and thus that this level of inequality is no longer undue. While the answer to this 'lower limit on unduly high inequality' (or equivalently, 'upper limit on the safe range') will be a matter of judgment and degree, there is no uncertainty that too much concentration of power and wealth constitutes tyranny at the expense of the general welfare and liberty. At the high extreme there is only unduly high inequality undermining the nation's stated goals.

Hence there is a limit on how great inequality may be without harm to the general welfare and liberty, a limit where inequality no longer promotes liberty or the general welfare and begins to erode it. This does not say what such an upper limit on inequality is or should be, only that it exists at some point.

The more extreme the inequality, the more greatly the liberty and welfare of the privileged exceeds the liberty and welfare of the rest of the citizens. In a society with extreme inequality it is hard to defend that such a society has been truly or adequately promoting the general welfare and liberty rather than acquiescing to – or (as is usually observed empirically) abetting – promotion of the welfare and liberty of this fortunate few. In other words, at this extreme the goal of promoting the general welfare has either been neglected, or has been sacrificed, to promotion of the welfare of the few. Empirically it would appear no society of such extreme inequality has ever been accomplished merely by neglect of the general public, it has been accomplished on their back, where the holders of such financial power have used the leverage of their wealth and power to influence, if not essentially dictate, wages, working conditions, and governance to their advantage at the expense of the general public. The theory for why this happens has been adequately advanced by Lord Acton ("power corrupts, and absolute power corrupts absolutely"), though I will have more to say on this in the later discussion of incumbency.

<u>The Argument For A Safe Range</u>. Hence I conclude, because neither extreme equality nor extreme inequality are conducive to liberty and the general welfare, that there exists a mid-range which is optimal, a mid-range which includes both adequate room for appropriate incentives but not so much financial power in so few hands as to allow those few to exert excessive power maximizing their own liberty and welfare at the expense of the liberty and welfare of the many.

Note that what I call a safe range exists only for a society with our stated goals: promoting the liberty and welfare of all. A society not respecting those goals will be indifferent to inequality. Nor have I yet explored what the actual limits of such a safe range for inequality might be, merely asserted that the low and high extremes of inequality are unsafe for liberty and the general welfare, the more extreme they are. We now need explore what might be the considerations and practical limits likely to keep the nation in a safe optimal range.

## On The Conflict between Individual Liberty and General Liberty

One of the great threats to the nation's liberty is failure to distinguish between individual liberty and general liberty. Therefore one of the most important considerations to keep inequality in the safe range is to understand and make this distinction. These are two distinct concepts and they can conflict at times, often seriously. People who fail to make the distinction can easily equate their personal liberty to the general liberty. They then assume that if they find their personal liberty constrained, then the nation's general liberty is being lost. This can sometimes be true; but it can also sometimes be quite false: the general liberty is independent of the personal liberty of any one individual or group of individuals, and must be measured independently of, not equated to, the personal liberty of any particular individual or group. In some cases it may be necessary to place certain constraints on the personal liberty of some individuals in order to protect and promote the general liberty; removing these constraints would threaten the general liberty. That individuals so often confuse and equate their personal liberty with the general liberty, particularly leaders of business and finance, not to mention apparently a majority of the Supreme Court, places the nation's liberty in great peril because it allows sloppy use of the language of liberty to undermine liberty itself, as I will now show.

In any reasonably complete list of a society's goals for any particular one of its large systems (macrosystems), many stated goals will conflict with one another. The Preamble is not an exception. Where goals conflict, policy must arrive at a workable compromise and balance among the goals that reflect the society's values.

For the United States one of the most important conflicts requiring practical resolution is that between general and individual liberty. It is clear that by liberty in the phrases of the Declaration and Preamble, the founders are speaking of the welfare and liberty of all citizens, including posterity, as a whole, which we may term for short the *general welfare* and *general liberty*. But implicit in the notion of the general welfare and general liberty is the notion of the personal welfare and liberty of each individual, which we may term *individual welfare* and *individual liberty*. We have already seen one example of such serious conflict in the proof of an upper limit on inequality. When these situations arise where individual and general liberty conflict, how should they be reconciled?

The Constitution itself provides some guidance how to resolve certain kinds of conflicts among national goals, including the one between individual and general liberty. I will explicate this partial guidance and provide practical examples and precedents of its use:

<u>The general welfare and liberty are two of the explicitly stated goals of the Constitution. Individual liberty is not, it is only an unstated implied goal</u>. Therefore, the bounds of individual liberty for any person or persons may be implied as only to the degree that it does not unduly conflict

with defending or promoting any of the stated goals. This will be true generally: any unstated goal, be it implied or instrumental, is subordinate and must give way if conflict arises at some point to any of the explicitly stated goals in the Constitution or Declaration. For example, sound markets are not a stated goal of the Constitution. They are an instrumental societal goal deemed to advance two stated goals, namely promoting the general welfare and liberty. Under the right conditions this is true, at times spectacularly true, which is why we advocate their use; but under the wrong conditions it may not be true. Hence the conditions for the use and design of sound markets must be modified whenever and to the extent that they are found to be eroding the general welfare and liberty. In other words, we may advance the following general principle:

- <u>The General Principle of Limitation regarding Implied or Instrumental Societal Goals</u>: In general, when any implied or instrumental societal goal not explicitly stated in the Declaration or Constitution comes in clear and present conflict with any explicitly stated goal of the Declaration or Constitution, to that extent that goal must yield to the stated goal.

Note that this Principle provides guidance only between stated and implied goals. It does not provide much help when stated goals themselves conflict, which they often do (for example, the current raging debate between the Declaration's guarantee of universal human rights and the Preamble's goal of providing for the national defense). But between stated and unstated goals the above General Principle of Limitation seems unimpeachable. It is readily applied to the implied goal of individual liberty:

- <u>Principle for Permissible Limitation of Individual Liberty</u>: Individual liberty cannot be unlimited. Whenever the individual liberty of one or more persons, be they few or many, conflicts with defending or carrying out any explicitly stated goal of the Declaration or Constitution, to that extent, and only to that extent, the individual liberty of that person or persons can and must be constrained.

There is ample precedent in American law where this principle has been applied. I will give two examples – precedents – where the Principle has been applied to appropriately abridge individual liberty, and two examples where, given these precedents, it ought be applied.

The first example is the conflict between individual liberty and the explicitly stated goal in the Preamble of providing for the national defense. Here the precedent to apply the Principle is firmly entrenched in law and judicial decisions. (It may be noted that the national defense, like so many of the other stated goals, is instrumental to defending the general welfare and liberty of the nation and its posterity. This is why in this entire discussion I have so emphasized these two particular stated goals out of the several in the Preamble.) When the general liberty and well-being have been threatened by external armed force, the nation has not hesitated, whenever necessary, to conscript hundreds of thousands of its young men into the military – a most emphatic restriction of their individual liberty. Conscription has been employed by the Federal Government in four conflicts: the Civil War; World War I; World War II; and during the Cold War (including the Korean and Vietnam Wars). A very few exceptions were made for proven conscientious objectors, showing the nation's exceptional regard for individual liberty and freedom of conscience even in the face of dire extremity; yet out of fairness even objectors' individual liberty was abridged: they had to provide a comparable period of mandatory community service. The distinction between individual and general liberty was clear to all, including the courts, and the individual liberty of huge numbers of Americans was duly and – proportionate to the threat – strongly restricted in defense of the general welfare and liberty.

A second example where there is ample legal and judicial precedent applying the Principle, is our anti-trust laws. The Constitution obligates the nation to defend the general welfare and liberty from internal threat quite as vigilantly as from external threat. Except in special circumstances, monopolies, oligopolies and collusion are legally proscribed in markets because these devices allow producers ('the few') to fix prices above what would occur naturally in a sound market, and thereby extract undue wealth from consumers ('the many'). The law and courts deem use of these devices to conflict with and erode the general liberty and wellbeing. But let us be clear and blunt: such a legal doctrine is in fact a specific limitation on the individual liberty and wellbeing of successful businessmen. Anti-trust law restrains, in this specific way, their individual liberty, otherwise unfettered, to increase their business success and their control of the market to their advantage without limit. Their individual liberty and wellbeing are restrained because it is deemed by use of these devices their individual liberty would otherwise allow them to enrich themselves at the undue expense of the liberty and wellbeing of the rest of society generally. Their right to individual liberty is constrained in this particular manner and degree, because it is an implied right that conflicts with the stated goal to guarantee and promote the right of the general public to welfare and liberty.

I now offer a third example of conflict between individual liberty and the general welfare where the Principle of Limitation ought to be applied, but the nation appears to be confused and waffling. That example is vaccination. The nation acts hesitant currently seemingly because it is confusing and conflating the two kinds of liberty. This example shows how failure to adequately distinguish between individual and general wellbeing and liberty may allow individual liberty to undermine the general wellbeing and liberty. I will argue that the distinction should be explicitly made and, wherever necessary, the Principle firmly applied in order to protect the general wellbeing and liberty. This particular example is of interest because it involves a conflict between the few and the many having nothing to do with economic inequality. The few in this case are those exercising their individual liberty to refuse vaccination of their children and perhaps also themselves. Probably most of us today are as alive and well as we are because of the marvel of vaccination. Before vaccination whole populations, especially children and elders, were decimated by contagious disease; all too often parents would see all their children sicken and die in the frequent outbreaks. Vaccination itself does present small risks that a very few individuals may sicken or even more rarely die from it. But this must be compared to the mass epidemic death that did *and will* recur without it. To keep fatal contagion from gaining a foothold, vaccination levels in a population must be high, and in the past, cooperation with mass vaccination has seldom been a problem. But recently hysteria has developed, almost all of it without scientific basis, about the dangers of vaccination, causing many parents to refuse vaccination of their children. In many communities enough have now refused, that vaccination levels have fallen below the safe limit; outbreaks are occurring which can infect even the vulnerable vaccinated as well as the unvaccinated. Legislatures and courts have been tolerating, in the name of "liberty", individuals' prerogative to refuse vaccination. I believe they make a grave error contradicting our Constitutional obligations. They have not been distinguishing that this is in fact an exercise only of individual liberty, not general liberty, and in fact in areas of unsafe vaccination levels the individual liberty and wellbeing of these few who refuse vaccination now threatens the general wellbeing and liberty of the entire area: the general right to live in a safe community and not have one's self or elders or children exposed by the actions of a few to avoidable dread disease. The failure of legislators and courts to limit a person's individual liberty to refuse vaccination beyond the point where it presents an ever more clear and present danger to the public health and safety violates the Constitutional responsibility to promote the general wellbeing and liberty. In areas threatened by low vaccination levels I believe the Constitution demands that individual liberty to refuse vaccination must yield: it must be enjoined in favor of mandatory vaccination to protect the general welfare. (I might add the opinion that because mass vaccination is a public good required of the citizenry, that any who do suffer iatrogenic consequences should be cared for at public expense, quite as much as our wounded and fallen soldiers and their families should be adequately cared for at public expense, which the present Congress, after sending them into war, seems shamefully laggard to assure.) This and the previous example exemplify that the general welfare and liberty must be protected as vigilantly from any internal threat as from any external, and that whenever necessary for this purpose, and only to the extent necessary, individual liberty must be subordinated and abridged.

My final example is directly germane to the inequality issue, showing when and how I believe the Principle ought be applied, if and when necessary, to reconcile conflict between individual and general liberty. Putting the anti-trust example slightly differently in order to generalize: to achieve the goal of sound markets, the law has followed the counsel of economists to proscribe monopolies, oligopolies, and collusion – all being means of concentrating undue financial power over competitors and consumers in a market. These must be prevented or broken up by adequate policy mechanisms curtailing individual liberty of businesses and their owners. But sound markets are only means, not ends. The stated goal of the United States is not sound markets (economists sometimes forget this), it is the general welfare and liberty. These words are not fine-sounding empty rhetoric, they are stated Constitutional commitments to be taken with utmost seriousness and priority by public policy and the courts. Therefore, <u>as with devices like monopolies for the lesser, instrumental goal of sound markets – and for analogous reasons –the Constitutional goals of the general welfare and liberty require that policy must put in place adequate mechanisms, which may involve abridging individual liberty to the degree necessary (and only to the degree necessary), that consistently assure that undue concentrations of wealth and financial power sufficient to erode the general wellbeing and liberty, not just in markets but in all cases, are prevented or broken up</u>. This limitation of individual liberty in order to protect the general welfare and liberty is as clear and justified as in the previous examples; it is simply generalization of a proven, already accepted principle.

A serious problem arises when influential wealthy persons, genuinely or disingenuously, conflate their personal liberty with the general liberty, and use their influence and wealth to mount noisy campaigns to policymakers and the public that the nation is losing its freedom to government interference and controls. To people unable to make the distinction (which seems at times to include legislators and judges), this campaign may appear persuasive, when in fact the language of liberty is being misused (sometimes intentionally) to attack and undermine actual protection of the nation's general liberty and wellbeing. Unless people are educated to the distinction, this sloppy use of the language of liberty by those with powerful vested interests can imperil protecting the nation's Constitutional commitment to the general liberty and wellbeing.

The Principle appears clear: government not only has the right but the obligation to abridge individual liberty and wellbeing of persons as necessary, and only as necessary, to adequately protect the general liberty and wellbeing from internal or external threat. And this includes abridging the individual liberty and wellbeing of holders of unduly concentrated wealth when, but only when, necessary to protect the general welfare and liberty. The issue, in this and every other situation, is always to decide if there is genuine threat to the general welfare and liberty, and how much. Threat is a continuum with no sharp dividing line, and because Americans prize their individual freedom, any threat must be clear and significant. It is in every case a matter of judgment that policy and the courts must decide. Below I shall offer a practical empirical criterion for such decisions.

## Setting a Practical Societal Goal for Inequality Empirically

**The distribution of income and assets is a political decision.** There is both myth and, in certain schools of economics, dogma (not science) that markets have mystical powers to divine the proper true and just value of goods and services, and further to divine the just and beneficial distribution of income and assets. This is easily disproven nonsense (see Part __ *Toward an Economics of Wellbeing,* later below). The distribution of income and assets are not an ineluctable consequence of some idealized markets or anything else. Markets are means, not ends. In every economy, including market economies, a society is free to decide what its goal for the distribution of income and assets shall be, and then arrange its markets and public services to pursue that goal. This is amply demonstrated by the fact that by changing its tax laws over the past 40 years – a political decision – the United States has drastically altered and substantially increased, and continues to increase, economic inequality in the nation.

If the nation decides that the rise to its current level of inequality has strengthened promoting the general welfare and liberty, then this has been good policy. If it decides that the rise to its current level of inequality is compromising promoting the general welfare and liberty, it is perfectly free (indeed, Constitutionally obligated), and able by policies and political decisions redesigning the economy and any other necessary institutions, to alter the current level of inequality to any level, higher or lower, that it believes maximizes promoting these goals. For example, reversing those tax changes, equally a political decision, would largely return inequality to its prior levels, if this were deemed to better forward the goals. Additional deliberate policies designed for the purpose could further reduce inequality if desired. (But, as noted, such policies must not erode proper incentives rewarding activities and individuals that promote the general welfare, nor must they reduce inequality to unduly low levels that weaken such incentives to ineffectiveness; for, as already shown, that will also be destructive of liberty and the general welfare.) This point does not say what level of inequality the nation should aim for, just that it has both the technical ability and the power to politically set and maintain any desired level of inequality.

**Setting inequality within the safe range.** The Constitutional obligation of policy is to maintain inequality within the safe range: (a.) high enough to assure adequate incentives proportionately and fairly rewarding all according to their contribution to the general welfare and liberty, including proportionately penalizing and discouraging free riding, cheating or otherwise siphoning wealth from the general welfare to benefit particular individuals or special interests; but (b.) not so high as to concentrate so much wealth in so few hands as to threaten the general welfare and liberty. Ideally the economy would be structured to maintain whatever is the specific optimal combination of inequality and effective incentives that maximizes promoting the general welfare and liberty. But we lack any adequate theory to determine with any precision any such optimal point a priori. Lacking such theory and precision, it is perfectly possible to proceed empirically, and, over time, use experience to refine and home in on what combination of inequality and incentives perform best on the goals.

**Determining a safe range empirically.** To bring these considerations down to practicality, one way to set a national goal for distribution of income and assets with plenty of room for effective incentives is empirically: examine the range of inequality of economically successful market nations to determine safe upper and lower limits for inequality.

Let us observe how various economically successful capitalist countries range on inequality of income (see Chart below). In order of lowest inequality to highest, Germany ranks 12$^{th}$ among 141 nations; even lower are the Czech Republic (6$^{th}$) and Sweden (1$^{st}$). Note that all these nations, even Sweden, are far from zero inequality, but such nations show how low inequality can be in the real world and still not compromise economic effectiveness. In contrast the United States ranks 101$^{st}$ on inequality among these 141 nations. It has the highest inequality among the developed nations, roughly the same if not higher than even Russia, a despotic kleptocracy not a capitalist market nation. If policy decides that our present level of inequality has begun to undermine the general welfare and liberty – and I shall argue later below there is strong evidence that it has – a safe path would be for the nation to set an inequality goal closer to, say, Germany's. This would leave more than ample room for Smith's effective economic incentives while reducing the concentration of wealth to safer levels. Later below I shall offer considerations that may help specify a more optimal safe upper limit on inequality maximizing the general welfare and liberty. Here I simply mean to demonstrate that it is possible to set a lower and upper limit empirically and keep inequality within that range.

For specificity, a common numerical measure of inequality is the so-called GINI index, which is zero if everyone in a nation has equal income and 100 if one person has all the nation's income. [An explanation of the GINI index and GINI rankings by country are easily found on the

Internet.] Our source of rankings is the CIA World Fact Book (see Chart below). The margin of error for any given nation will vary with the accuracy of its statistics system, more reliable the more advanced the nation. The worst observed GINI index is 63, for Lesotho. At the other end, the average GINI index for the entire European Union is 31, Germany stands at 27, the Czech Republic at 25, and Sweden ranks lowest at 23. The United States GINI index presently stands at 45, nominally (allow for error levels of at least 10%) above Russia at 42 and virtually twice Sweden. Our index has moved well up from its value in the 1970s, which lay in the mid-30s, and continues to rise steadily. Thus the United States might set as its goal for acceptably promoting the general welfare and liberty a GINI index of, say, the mid-30s or less, because the concentration of wealth and power, and stagnation of median income, did not seem nearly as undue in that era. Or it might look at the growth in general wellbeing of Germany and the Czech Republic and decide inequality best promoting the general welfare would be better if set closer to 30 or below.

Note that setting such a goal does not mean that government will decide what each individual person earns. Absolutely not, no more than in Germany, the Czech Republic or any other market economy. Personal incomes will be determined just as now, by the incentives of the (now redesigned) market economy as usual. Rather, government will simply design redistributive policies that more equitably redistribute income and assets in ways that do not compromise effective economic incentives, and which direct wealth to activities that raise median income along with any rise in GNP. That nations with quite successful economies have even lower inequality than 30 shows this eminently feasible. Such policies could include progressive income tax rates, progressive estate tax rates, progressive subsidies, etc., adjusting these as needed to meet the target GINI index goal, maintaining it neither much higher nor lower; strengthening redistribution if the nation's GINI soars unduly above the goal, reducing such redistribution if it sinks unduly below. To assure fair and effective incentives, such taxes would not be used for doles and subsidies encouraging free riding – i.e., "takers" living off "makers", including takers at both ends of the income spectrum – but rather for public goods and investments that increase the general prosperity of all, e.g. education, science, environment, infrastructure, human capital development, etc.

In this way the nation can set its inequality at any desired target level. If it suspects a higher or lower level would better promote the general welfare and liberty, it could move its target level the desired amount, adjust its redistribution measures accordingly and then see empirically after a few years whether the new target was having the desired effect. Short of more adequate theory, this empirical approach allows the nation to assess and set inequality as best serves its Constitutional goals.

## Chart: GINI Index of Inequality By Nation

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|---|---|---|---|---|---|---|---|
| 1. | Sweden | 23.0 | 2005 | 40. | Nepal | 32.8 | 2010 |
| 2. | Slovenia | 23.7 | 2012 | 41. | Ethiopia | 33.0 | 2011 |
| 3. | Montenegro | 24.3 | 2010 | 42. | Moldova | 33.0 | 2010 |
| 4. | Hungary | 24.7 | 2009 | 43. | Kyrgyzstan | 33.4 | 2007 |
| 5. | Denmark | 24.8 | 2011 est. | 44. | Azerbaijan | 33.7 | 2008 |
| 6. | Czech Republic | 24.9 | 2012 | 45. | Ireland | 33.9 | 2010 |
| 7. | Norway | 25.0 | 2008 | 46. | Niger | 34.0 | 2007 |
| 8. | Luxembourg | 26.0 | 2005 | 47. | Poland | 34.1 | 2009 |
| 9. | Slovakia | 26.0 | 2005 | 48. | Taiwan | 34.2 | 2011 |
| 10. | Austria | 26.3 | 2007 | 49. | Greece | 34.3 | 2012 est. |
| 11. | Finland | 26.8 | 2008 | 50. | Albania | 34.5 | 2008 |
| 12. | Germany | 27.0 | 2006 | 51. | Macau | 35.0 | 2013 |
| 13. | Malta | 27.1 | 2012 | 52. | Latvia | 35.2 | 2010 |
| 14. | Belarus | 27.2 | 2008 | 53. | Algeria | 35.3 | 1995 |
| 15. | Romania | 27.4 | 2011 | 54. | Lithuania | 35.5 | 2009 |
| 16. | Iceland | 28.0 | 2006 | 55. | Bosnia and Herzegovina | 36.2 | 2007 |
| 17. | Belgium | 28.0 | 2005 | 56. | New Zealand | 36.2 | 1997 |
| 18. | Ukraine | 28.2 | 2009 | 57. | Benin | 36.5 | 2003 |
| 19. | Switzerland | 28.7 | 2012 est. | 58. | Mongolia | 36.5 | 2008 |
| 20. | Kazakhstan | 28.9 | 2011 | 59. | Laos | 36.7 | 2008 |
| 21. | Kosovo | 30.0 | FY05/06 | 60. | Indonesia | 36.8 | 2009 |
| 22. | Australia | 30.3 | 2008 | 61. | Uzbekistan | 36.8 | 2003 |
| 23. | Pakistan | 30.6 | FY07/08 | 62. | India | 36.8 | 2004 |
| 24. | European Union | 30.6 | 2012 est. | 63. | Maldives | 37.4 | 2004 |
| 25. | France | 30.6 | 2011 | 64. | Vietnam | 37.6 | 2008 |
| 26. | Egypt | 30.8 | 2008 | 65. | Tanzania | 37.6 | 2007 |
| 27. | Netherlands | 30.9 | 2007 | 66. | Japan | 37.6 | 2008 |
| 28. | Armenia | 30.9 | 2008 | 67. | Israel | 37.6 | 2012 |
| 29. | Cyprus | 31.0 | 2012 est. | 68. | Yemen | 37.7 | 2005 |
| 30. | Korea, South | 31.1 | 2011 est. | 69. | Cambodia | 37.9 | 2008 est. |
| 31. | Estonia | 31.3 | 2010 | 70. | Serbia | 38.0 | 2013 est. |
| 32. | Timor-Leste | 31.9 | 2007 est. | 71. | Portugal | 38.5 | 2007 |
| 33. | Italy | 31.9 | 2012 est. | 72. | Bhutan | 38.7 | 2012 |
| 34. | Croatia | 32.0 | 2010 | 73. | Mauritius | 39.0 | 2006 est. |
| 35. | Spain | 32.0 | 2005 | 74. | Malawi | 39.0 | 2004 |
| 36. | Bangladesh | 32.1 | 2010 | 75. | Venezuela | 39.0 | 2011 |
| 37. | Canada | 32.1 | 2005 | 76. | Mauritania | 39.0 | 2000 |
| 38. | United Kingdom | 32.3 | 2012 | 77. | Macedonia | 39.2 | 2011 |
| 39. | Tajikistan | 32.6 | 2006 | 78. | Thailand | 39.4 | 2010 |

| | | | |
|---|---|---|---|
| 79. | **Guinea** | 39.4 | 2007 |
| 80. | **Ghana** | 39.4 | 2006 |
| 81. | **Burkina Faso** | 39.5 | 2007 |
| 82. | **Jordan** | 39.7 | 2007 |
| 83. | **Tunisia** | 40.0 | 2005 est. |
| 84. | **Mali** | 40.1 | 2001 |
| 85. | **Turkey** | 40.2 | 2010 |
| 86. | **Nicaragua** | 40.5 | 2010 |
| 87. | **Turkmenistan** | 40.8 | 1998 |
| 88. | **Morocco** | 40.9 | 2007 est. |
| 89. | **Djibouti** | 40.9 | 2002 |
| 90. | **Senegal** | 41.3 | 2001 |
| 91. | **Cote d'Ivoire** | 41.5 | 2008 |
| 92. | **Russia** | 42.0 | 2012 |
| 93. | **Burundi** | 42.4 | 1998 |
| 94. | **Kenya** | 42.5 | 2008 est. |
| 95. | **Nigeria** | 43.7 | 2003 |
| 96. | **Uganda** | 44.3 | 2009 |
| 97. | **Iran** | 44.5 | 2006 |
| 98. | **Guyana** | 44.6 | 2007 |
| 99. | **Cameroon** | 44.6 | 2001 |
| 100. | **Philippines** | 44.8 | 2009 |
| 101. | **United States** | 45.0 | 2007 |
| 102. | **Uruguay** | 45.3 | 2010 |
| 103. | **Bulgaria** | 45.3 | 2007 |
| 104. | **Jamaica** | 45.5 | 2004 |
| 105. | **Mozambique** | 45.6 | 2008 |
| 106. | **Argentina** | 45.8 | 2009 |
| 107. | **South Sudan** | 46.0 | 2010 est. |
| 108. | **Georgia** | 46.0 | 2011 |
| 109. | **Malaysia** | 46.2 | 2009 |
| 110. | **Singapore** | 46.3 | 2013 |
| 111. | **Rwanda** | 46.8 | 2000 |
| 112. | **El Salvador** | 46.9 | 2007 |
| 113. | **Bolivia** | 47.0 | 2011 |
| 114. | **Dominican Republic** | 47.2 | 2010 est. |
| 115. | **China** | 47.3 | 2013 |
| 116. | **Madagascar** | 47.5 | 2001 |
| 117. | **Peru** | 48.1 | 2010 |
| 118. | **Mexico** | 48.3 | 2008 |
| 119. | **Ecuador** | 48.5 | 2013 |
| 120. | **Sri Lanka** | 49.0 | 2010 |
| 121. | **Zimbabwe** | 50.1 | 2006 |
| 122. | **Gambia, The** | 50.2 | 1998 |
| 123. | **Costa Rica** | 50.3 | 2009 |
| 124. | **Swaziland** | 50.4 | 2001 |
| 125. | **Papua New Guinea** | 50.9 | 1996 |
| 126. | **Brazil** | 51.9 | 2012 |
| 127. | **Panama** | 51.9 | 2010 est. |
| 128. | **Chile** | 52.1 | 2009 |
| 129. | **Paraguay** | 53.2 | 2009 |
| 130. | **Hong Kong** | 53.7 | 2011 |
| 131. | **Guatemala** | 55.1 | 2007 |
| 132. | **Colombia** | 55.9 | 2010 |
| 133. | **Zambia** | 57.5 | 2010 |
| 134. | **Honduras** | 57.7 | 2007 |
| 135. | **Haiti** | 59.2 | 2001 |
| 136. | **Namibia** | 59.7 | 2010 |
| 137. | **Central African Republic** | 61.3 | 1993 |
| 138. | **Sierra Leone** | 62.9 | 1989 |
| 139. | **Botswana** | 63.0 | 1993 |
| 140. | **South Africa** | 63.1 | 2005 |
| 141. | **Lesotho** | 63.2 | 1995 |

Source: CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/fields/2172.html

## Assessing Performance of the Economy: Rising Inequality, Flat General Welfare

Assessing the Performance of Large Systems.

As mentioned earlier a "*macrosystem*" is defined as a large social system of organizations and individuals with both a definable function and definable goals. For example, the function of the health care and coverage system is to deliver personal health care services and health insurance protection to individuals, and we can set out four performance goals for this system that the public has sought for several decades: (1) high quality health care and coverage (2) for all at (3) a cost both the individual and (4) the nation can afford. Here our interest will be the economic system. Its function is to create and distribute material wealth, and its goals are specified by the Constitution: to promote the general welfare and liberty. (It is a policy problem that economics currently does not include these Constitutional goals in its discipline, and includes many considerations (Pareto optimality, etc.) not mentioned in the Constitution (which by the earlier mentioned Principle of Limitation are therefore means not ends in themselves), thus limiting the relevance of current economics for policy. Perhaps academia needs to revive Adam Smith's original discipline of political economy.)

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A *performance problem* in any large system is defined as *a discrepancy between performance and goals*. Therefore one cannot assess the performance of any large system, such as the economy as we are about to do here, until one has in hand a reasonably complete set of the important goals society desires of it. Hence the first step in performance assessment is to identify the goals society desires of that system. Once goals are in hand, the second step is to devise as accurate practical performance measure(s) as possible for each goal to determine how well the system is performing on that goal. In this way a performance profile for the system is obtain informing policymakers where the system is performing well and where less well and how seriously.

We may think of performance problems as symptoms of the system, because they are what cause the public pain and suffering. When a system is seriously underperforming on any particular important goal, usually a large number of the public are being hurt, and this is what causes them to bring pressure on policymakers to solve the problem.

However, it is well for policymakers to remember that symptoms – particularly if they have been serious and chronic, persistently resisting all policy efforts to ameliorate them – may have an underlying cause: a faulty system structure that allows and rewards the undesired performance, and is indifferent to or penalizes the desired performance. If this is the case, then symptom-curing will at best only lessen the problem temporarily. It will chronically and stubbornly persist until the system structure is redesigned to enable and reward the desired performance and to impede and penalize the undesired performance. In other words, we may think of this underlying cause – faulty system structure and incentives – as the diagnosis, and to achieve sustained satisfactory system performance, policy must address the diagnosis, not the symptoms. Here, I examine performance of the present economy on the stated goal of promoting the general welfare, and in the next Section start to explore a diagnosis. I will examine performance on securing the general liberty and other Constitutionally obligate goals in later Parts.

Defining the General Welfare. Let me begin by trying to achieve some degree of precision about the term *the general welfare.* From the language of the Declaration and Constitution I believe it clear that by *welfare* the founders are referring to what we understand today under the term *wellbeing*, and I shall use these two terms as synonymous. At present the term welfare has taken on the unfortunate connotation of public charity to the poor, which from their language is clearly not the meaning used by the founders. So I will never use the term welfare in this sense of public largesse to the poor but rather only in the founders' sense as synonymous with wellbeing. I believe it equally clear from their language that the founders mean by the term *general* the public as a whole. An improvement in the wellbeing of one sector of the population at the expense of another is not promoting the general wellbeing any more than a decline in the wellbeing of the entire public as a whole.

Now let us turn to devising measures of the general welfare. Performance measures should preferably be quantitative wherever possible, but we must guard against using quantitative measures that eviscerate or distort the meaning of what we are trying to measure merely for the sake of being quantitative; such inadequate quantitative measures may produce a completely false or misleading picture of the actual performance and should be avoided. As Cameron remarked, "Not everything that can be counted counts, and not everything that counts can be counted." Where no adequate quantitative metric is possible or available, it is far better to turn to qualitative measures – greater, smaller, more, less, etc. – that better and more accurately capture the performance we seek to measure.

Human wellbeing is a complex notion with many components, some easy, some difficult to measure. Wellbeing goes far beyond material wealth, and indeed material wealth may be the least important factor in any individual's sense of wellbeing. At a minimum, wellbeing includes physical and mental health, longevity, security, and satisfying work, working conditions and social life, quite as much or more than material wealth. And beyond these, individual mental wellbeing includes such intangible dimensions as individual liberty, justice, fairness, dignity and respect, opportunity, and the larger sense of being a member of a well-knit family, community, society and nation that values human rights, loyalty and responsibility for all its members. As the moral philosopher who founded economics and invented market economies observed:

> How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it. – Adam Smith

While a small percentage of humans – research suggests roughly 1% – are born with no feeling for others, the remainder have varying degrees of compassion from small to great; they feel their own wellbeing diminished to that extent to live in a society that only inadequately promotes for others what they also desire for themselves. Indeed, it is to that widespread feeling of empathy and responsibility that we owe the founding of this nation: how does one measure such things, where any number of humans will risk life and material fortune to secure crucial components of wellbeing – life, liberty, the pursuit of happiness – not only for themselves but their society and its posterity.* Thus such intangibles are worth more to the great majority of mankind than any private goods and services we can put a market price on, and to the extent they are compromised, we feel our wellbeing reduced.

*[*extended footnote: holds only for mankind in Enlightenment societies; the mass of non-Enlightenment mankind may not even conceive such things are possible let alone desirable.]*

<u>Measuring the Economy's Performance on Promoting the General Welfare</u>. Having given all these important components of wellbeing due consideration, I shall now drastically simplify for the time being by approximating the general welfare with simply one of them, namely real median income: the income which half the population is below and the other half above. In other words by use of this proxy measure I am assuming that if real median income is rising or falling, that the general welfare is increasing or decreasing approximately commensurately. I justify this simplification as not too distorted under most conditions because I suspect that individual material income correlates at least to some degree with most of the individual components mentioned above. *[what's the research on this?]* (For example we know that longevity and health for males of low income is declining. *[cite source?]*) I choose income rather than income plus assets, because accurate asset data (particularly for international comparisons) are less easy to come by, and also because assets (though of far greater economic influence) suffer far greater inequality than income and it seems better to be conservative at this point. Were material assets added to the income proxy, inequality would appear substantially more extreme. I choose median income over average income because averages skew high or low if the distribution averaged (here income) is skewed high or low. Real income is used to remove the effect of inflation, allowing purchasing power to be compared over time; in other words, the actual proxy measure of the general welfare that I am using is median material purchasing power (exclusive of assets) over time. Much more complex and precise measures are possible, but I believe this simple proxy has sufficient accuracy not to mislead, and it is quantitative and practical, and the data to calculate it are readily available. While not perfect or complete, it seems reasonably adequate as a start for the purpose here.

As noted above, inequality in the United States has been increasing steadily, rising from a low in the late 1970s of GINI around 35 to more than 45 today. On the other hand, real median income (i.e., adjusted for inflation so as to measure actual purchasing power), which rose steadily and substantially from after WWII until the 1970s has been virtually flat for the past three decades. The lower the income of individuals the flatter their real income has been, indeed the lowest 20% of the population by income lost roughly 5% of their purchasing power in the last three decades. On the other hand, real income for the upper 40% rose, and the higher their income, the more it rose: real income for the top 20% rose more than 30%, for the top 5% more than 40%, and for the top 0.1% an astronomical ____! Virtually all the rise in the economy has gone to the top, almost none to the lower 50% of earners. Hence the rise in inequality.

*[Sources: (the above description isn't graphic enough, try to find charts of real income figures)*
*http://www.russellsage.org/sites/all/files/chartbook/Income%20and%20Earnings.pdf]*
*[https://research.stlouisfed.org/fred2/series/MEHOINUSA672N]*
*[https://nces.ed.gov/pubs98/yi/yi16.pdf]*

Because real median income has remained stagnant for three decades while incomes above the median have increased substantially the higher the income, the nation's economy has not been promoting the general welfare, it has been promoting rather the welfare of the well-off the more well-off they are. Unless there are mitigating factors, the nation is failing badly on this Constitutional obligation.

One important mitigating factor would be fairness, another would be incentives. If a nation pledges itself to promote the general welfare, than its cultural and economic incentives should be fair: they should proportionately reward those who best promote the general welfare. And these rewards should be at the best strength, neither higher nor lower, to stimulate economic activity that maximizes promotion of the general welfare.  Does rising inequality then simply mean (1) that the economy is adjusting income to reflect more fairly and justly than previously each individual's respective contribution to the nation's general welfare: to reward, more proportionate to their contribution, those who contribute to the general welfare and discipline those who do not? Or does it mean that the economy is unfairly directing disproportionate income to certain individuals and activities independent of their contribution, positive or negative, to the general welfare at the expense of others, independent of their contribution, positive or negative. In other words, is the distribution strongly correlated with contribution to the general welfare or is the correlation weak at best. Alternatively (2), independent of strict fairness, is rising inequality providing valuable stronger incentives for economic activity promoting the general welfare, or is it simply generating superfluous excessive incentives adding little or no impact on the general welfare?

In Part IV, *Toward an Economics of Wellbeing*, I shall argue in detail that the distribution of income produced by the present economy of the United States has only weak connection with individuals' contribution, positive or negative, to the nation's general wellbeing and liberty. This is why I term the present economy malstructured and in need of redesign. Yes, thank heaven, it is generously rewarding some individuals and activities that contribute greatly, and they are reinvesting those rewards to contribute even more. But it is not rewarding many other individuals and activities that contribute equally greatly; and it is greatly over-rewarding others who contribute little. Worst, it is munificently over-rewarding some individuals and activities utterly destructive of the general wellbeing. Relative to their contribution to the general welfare, I will argue that public goods in general, though at least half the wealth produced by the nation, appear under-rewarded relative to private goods; within private goods, labor appears under-rewarded relative to capital, and business under-rewarded relative to finance. And within these broad categories there is even greater variation among over-rewarded and under-rewarded activities relative to contribution to the general welfare and liberty.

Some analysts say the present distribution of income simply reflects the workings of the market, as though this justifies that distribution. It does not justify them. It merely explains how the workings of the present economy produce the observed distribution of income over time, but in no way does it justify either the wisdom or fairness of either that distribution or the present economy producing it. A differently designed economy would produce a different distribution of income. That its design is different explains but in no way justifies its different income distribution, any more than our present design does. Economic system designs and their results are not self-justifying. The only justification of any design for an economy (or any other macrosystem) is how well it performs on desired societal goals. If the present economy doesn't do that, then that justifies redesigning that economy, not accepting whatever distribution of income it produces.

We may ask if there any reason to believe that the top earners of today are any more productive of the general welfare than their counterparts of 40 years ago when inequality was substantially lower. I have seen no studies to suggest this. In fact I have seen studies suggesting the opposite, for example, that firms with excessively compensated CEOs perform less well. *[find cite]* I have seen studies that corporations committed to all stakeholders – shareholders, customers, employees, their communities and the public interest—are more productive than corporations focused solely on maximizing return to shareholders only. *[source Cornell law professor]* The top earners of yesterday appear quite as talented as those today and worked equally hard – and apparently more productively for the general welfare – for less compensation than their present counterparts, suggesting that their lower compensation was more than adequate incentive for their efforts. Nor do studies suggest labor is slacking off today more than in past decades; quite the opposite, our workforce is working harder. Statistics show labor in this country presently works longer hours with fewer days off than in other nations with successful economies or than in this nation just a few decades ago. *[find cite]* Households of laboring persons now require multiple breadwinners to keep their head above water; single-headed households dominate the lowest incomes.

Wellbeing depends not just on income, it also depends on how hard one must work to get that income and how humane the conditions of that work. Their increased effort would seem to merit increased compensation rather than no increase. This suggests that in the present economy the top earners are gaining an increased share of the wealth produced by the nation, not because they deserve it for increased productivity, nor because needed for proper incentive, but simply because the present economy has now put them in a position to divert a greater share to themselves compared to the economy of some decades ago.

Observe that this dismal performance on promoting the general welfare utterly refutes, empirically, the mantra that 'tax cuts for the rich' will stimulate greater economic activity, activity that will not only bring in more taxes at the new lower tax rates than the old higher tax rates, but will "trickle down" to raise the general welfare in more and better jobs. Theoretically the proposition has always had little substance; one famous skeptic called it voodoo economics. So how has it fared empirically: well, after three decades of this mantra, where is the trickle down? Median income is stagnant. Empirically it has all been trickle up. The rich are richer than they have ever been in our history. Where are the jobs? Empirically, we got instead the Great Recession of 2008 devastating the general welfare – millions thrown out of work, millions thrown out of their homes, and we are just beginning to recover. As for the promised gain in tax revenue, the loss in tax revenue when these cuts were first done in the Reagan Administration was so great that Reagan wisely raised taxes. His spendthrift successors were not so wise or simply indifferent to the general wellbeing, and continued policies pursuing this intellectually bankrupt mantra. The resultant tax loss is still so great that for the last decade these 'tax cuts for the rich' have had to be subsidized by heavy Federal borrowing. Bluntly put, present policy has turned the rich into "takers" living off our posterity, the ones whose wellbeing we are Constitutionally pledged to protect, not steal.

<u>The General Liberty</u>: Is rising inequality increasing the liberty of the general citizenry or merely the liberty of the well-to-do? Is it undercutting the general liberty? General liberty does not lend itself to quantitative measures as readily as the general welfare. Thus its performance status – higher or lower or about the same – must be assessed qualitatively. Therefore I shall postpone the discussion until Part II, where I deal with it at length. Here I shall simply state briefly my conclusion from that later discussion. Roughly similar to its effect on the general welfare, I find that rising inequality is presently eroding general liberty, while increasing the individual liberty of the affluent the more affluent they are.

This is where it becomes so important to distinguish between symptom and diagnosis, to go beyond the symptoms to the underlying cause of the symptoms. It is presently the symptoms of inequality and its sequelae that are getting all the attention and concern; there is pain because the present level of inequality and general liberty show that performance of the economy on the general wellbeing and liberty is falling painfully short of our stated Constitutional goals to promote them. But this present level and its sequelae are symptoms, not the diagnosis. I argue it is the diagnosis that presents the truly dire threat, and in all the noise over symptoms, it is being missed. Addressing the diagnosis means finding the underlying cause driving the steady rise in inequality and correcting it. In the next section below, I begin to explore this diagnosis. I find that the underlying structure and incentives of the present economy are now driving inequality steadily upward <u>with no apparent visible constraint</u> now or in the foreseeable future.

If this conclusion is correct, I then show why I conclude that if not corrected, this flawed economy can literally destroy the general liberty and reduce the nation to de facto despotism.

In the meantime, because the public and policymakers are unaware of this diagnosis and its lethal nature – indeed, seemingly unaware that they should even look for such a thing as a diagnosis: underlying flawed macrosystem structure and incentives that cause the malperformance – the debate over inequality has become a shouting match over whether it's too high or deservedly high. Sadly, as noted, symptoms are side-issues, largely intractable until the diagnosis is addressed.

Here is an illustrative example, an important and painful symptom, one of many, distracting the public and policy from the grave diagnosis. That symptom is America's vaunted equality of opportunity and social mobility, an important component of both wellbeing and liberty. It is falling. This is a distressing, growing discrepancy with the desired goal. Social mobility is the ability to rise in status, wealth and power above one's parents' status; it can be roughly measured by the percentage of the population who accomplish such a rise and how great a rise. The American ideal is embodied in Horatio Alger, the poor boy who by talent and pluck makes a fortune, likewise in Abe Lincoln rising from log cabin to president. The implication is that in America opportunity should ideally be equally available to all if you just have the talent, vision and grit to seize it. This is juxtaposed against the class societies of Europe, where an individual was seldom allowed to rise above his station: if opportunity is limited to the privileged, then the individual liberty of the privileged is enlarged at the expense of the general liberty. Of course in real life, equal opportunity – i.e., depending only on talent and character and independent of parents' station – is simply an ideal important to strive toward; opportunity has never been equally available to all. Wealth and privilege have always conferred advantage on its children. Nevertheless studies suggest that until recently social mobility in America was greater than in Europe. This has become no longer true; studies show our social mobility lately appears to have fallen lower than that of several European countries.*

> ** Source: http://finance.townhall.com/columnists/politicalcalculations/2013/12/05/the-major-trends-in-us-income-inequality-since-1947-n1757626/page/full*

Thus some pundits have suggested we need to set aside for benign neglect the divisive issue of inequality and concentrate on improving social mobility. This is typical symptom-curing and seems futile, wishful thinking to me; rising inequality is the cause of falling social mobility. It appears that rising inequality is now conferring so large an advantage on children of the wealthy, studies now show that even their children with less talent are now more likely to achieve adult success – to gain entrance to prestigious universities and high-level well-paying positions – than those children with demonstrably greater talent from lower income families, the lower their income. *[source]* The advantages of such disproportionate wealth and connections trumps ability. Thus privilege is showing first signs of becoming hereditary.

Ironically, Americans of all incomes still resolutely cling to their belief of more equality of opportunity and social mobility here than anywhere else in the world, even though the facts, sadly, now appear otherwise. In contrast, equally ironically, people in those other countries where social mobility has now become greater than here are less confident than us of equality of opportunity in their country. *[source above]* It takes some time for beliefs to catch up with realities. The reality, emerging from research rather than popular opinion, is that rising inequality has now made America more of a class society than some European nations, and has increased the individual liberty of the children of the privileged at the expense of the general liberty. Distressing as this symptom may be, it is a symptom, one of many painful but distracting symptoms, arising from the disturbing but distracting symptom of rising inequality. But these symptoms while serious are not catastrophe. I now turn to the diagnosis of why inequality is rising, and that is where I find catastrophe brewing.

## Rising Inequality: Fluctuation or Runaway? ~~A Diagnosis~~

Observed inequality in the United States fell slowly but rather steadily after WWII until 1968 when it reached a minimum (GINI = 35), and since then has risen roughly steadily to its current maximum (GINI = 44), well above all other developed democratic nations. It appears to be continuing to rise; empirically no slowing trend has been observed so far.*

> ** Source: http://finance.townhall.com/columnists/politicalcalculations/2013/12/05/the-major-trends-in-us-income-inequality-since-1947-n1757626/page/full*

Consider the two possibilities: (A) If inequality is basically a slow, fluctuating phenomenon and its decades-long steady rise and currently unprecedented high level is simply a one-time record high in those fluctuations that will eventually be damped by natural or built-in mechanisms, and thus will reverse and sink back toward earlier levels... then present inequality is not a dire threat to the nation's general welfare and liberty but rather, as noted earlier, simply a controversial issue of fairness and incentive power in the distribution of the nation's wealth~~.~~

On the other hand, (B) if rising inequality is a structural phenomenon – i.e., a product of flawed structure and incentives in the present economy steadily driving inequality upward without foreseeable limit... then the peril to nation's general welfare and liberty is grave. As shown in the earlier argument for an upper limit on inequality, if inequality rises to undue extremes, this noble country will not long remain a free nation. It will fall into despotism, just another among the many.

It is crucial to ascertain which of these alternatives is the case, because if the latter, inequality will eventually become so extreme there will no longer be debate that it is undue and a lethal threat to the general welfare and liberty. And we cannot wait for that point of awakening to take action, lest the ever increasing concentration of wealth become so undue by that time as to be irreversible

I shall now argue that the present steady, decades-long rise of inequality is the latter case: not an accidental random fluctuation or one-time event, but rather an ineluctable consequence inherent in our present structurally flawed economy. I shall show below that this economy's perverse structure and incentives strongly enable and reward rising inequality, and strongly reward ever increasing concentration of wealth, and there appears no foreseeable constraint, neither any natural external checks nor any built-in internal checks, to hold it within the safe range. In other words, I shall advance a logical case why inequality is steadily rising without diminution in the current flawed economy, consistent with the empirical observation and predicting that the rise will continue indefinitely.

If this case is correct, then unless and until the structure and incentives of the current economy, and any other necessary institutions, are properly and intentionally redesigned to constrain this rise, inequality will grow without limit to extremes. When it passes any conceivable upper bound on the safe range, the nation will ineluctably fall into tyranny. Skeptics may feel this a wild assertion, just another Chicken Little crying the sky is falling. Certainly this is an argument that must be closely scrutinized. But if it is sound, then it is the deniers who are unrealistic, and the liberty of this great nation is in fact in growing peril, not from without, but from increasingly concentrated private wealth and power within.

## The Nature of Market Economies.

To build the case that runaway inequality is an inherent and dangerous symptom in improperly designed market economies, I shall begin in this section with a discussion of market economies generally, then turn in the next section to the structural and incentive weaknesses that provoke runaway inequality in markets, which proper design of market economies must avoid by explicitly including suitable damping mechanisms.

A properly structured market economy, the invention of the moral philosopher Adam Smith some two centuries ago, is one of the most powerful engines for economic progress ever devised by mankind. As proposed by Smith, market economies have two components: private markets and the "public services", by which he understood government, each with their respective responsibilities. Both components have the power to increase a society's wellbeing and material wealth, markets by producing private goods and services, government by producing public goods and services. (Since early in its history, the public services in this country also include additionally a substantial voluntary sector – uncommon in Europe, which relies largely on government for all public services – of institutions and agencies supported by charity rather than taxes; these produce important public goods and services often beyond the scope or interest of government, which their interested donors believe beneficial to society.)

The market economy was designed by Smith with very specific goals as part of his discipline of political economy. Smith's aims started with the following observations:

-- "All for ourselves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind."

-- "No society can surely be flourishing and happy of which by far the greater part of the numbers are poor and miserable."

-- "A nation is not made wealthy by the childish accumulation of shiny metals, but is enriched by the economic prosperity of its people."

Smith was wrestling with the problem of poverty and inequality of his time. For centuries poverty and inequality were accepted as part of the natural order of things, presumably divinely ordained, and were dealt with by encouraging compassion and charity toward the poor – treating symptom rather than cause. (Indeed, my impression of much of the literature of the time was that charity to the poor was often less about reducing poverty – thought inevitable, its absence inconceivable – than a divine mechanism beneficently provided to help the rich get to heaven by good works.) Smith was perhaps the first to propose we ought not be content just to ameliorate the misery of poverty, rather we ought try to reduce if not eliminate poverty and inequality themselves...in other words, promote the general welfare rather than just the welfare of the privileged. And he offered concrete means to do so.

He engaged in perhaps the first major "large system architecture" project: a proposed redesign of his nation's economic system, an idea to intentionally alter what had always existed so audacious it had not occurred to anyone before. He proceeded to invent the field of political economy, of which sound markets were one part (never thought by Smith as sufficient alone) to accomplish his purpose: namely, to overthrow the inequality of wealth monopolized by the privileged and spread it more equitably (not equally, Smith was no socialist) to all members of society. Here he defines political economy and its aims:

-- "Political economy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services."

Thus the two means proposed by Smith were sound markets and "the public services": sound markets for the production of private goods, and public services for the production of public goods. Let us remind ourselves of the distinction: private goods are those we can purchase by ourselves individually, like computers, carpentry and medical care; public goods are those we cannot, and must purchase collectively as a society, such as defense, sewer systems, and safety nets. Smith stated neither the market nor the public services alone is enough, both are necessary to create wealth and curb poverty and inequality.

One seldom hears of the wealth produced by the public services component of market economies. Indeed, according to some shrill and incessant schools of thought, government, the producer of the public services, is a parasite that takes from 'makers' and gives to 'takers'. This is quite false. Public goods produced or bought by government in return for our taxes are at least as great a source of wealth-creation as private goods made by the private sector. Indeed the most important public goods and services are in fact public investments rather than public consumption, creating public capital – vast material and non-material wealth generated by the public services – upon which all of society, public and private, freely draw. To mention a few, they include such collective goods as liberty, justice, national defense, public safety, public health and environmental safety (both more important to our health and longevity than medical care), an educated workforce, basic science indispensable to a flourishing private sector, physical infrastructure, money regulation, and market regulation. (Indeed, one of the most crucial and wealth-producing of the public services promoting the general welfare is properly regulating markets to keep them sound.) Many of these public goods and services are probably the ones we value most, much more than most private goods and services (i.e. which do you want most, liberty or a new car? ...showing how market prices can mislead by equating our wellbeing to our material wealth; I shall enlarge on this in Part III later). Smith explicitly placed responsibility for the public services, including market regulation, upon government; he was no proponent of laissez-faire (he would be aghast at the idea) nor of emasculating government. (His recommendations for the public services and role of government can be found in his *Wealth of Nations*).

The difference between private and public goods can create a misleading illusion. The return on wealth created by private goods returns to its producers financed by customer purchases, whereas the return on wealth created by public goods does not, but rather returns to the prosperity and wellbeing of society as a whole. So public goods must be financed by other means: taxes. The price of private capital is profit; the price of public capital is taxes. Because people see successful private producers wax wealthy by capturing the return on the wealth they produce, but the public producer, government, does not wax wealthy and must continually ask for taxes, the shortsighted ... as they drive along public roads, fly in planes that seldom collide, hold skilled jobs requiring basic education, eat safe foods, and enjoy their cellphones developed by marvelous applied private technical research utterly reliant on equally marvelous free public basic scientific research, etc. ... miss that the public sector creates any wealth at all, let alone at least as much as the private sector. This all too common mistaken notion has led to dangerously shortsighted public policy and understanding, resulting in underfunding crucial public services, particularly public investments on which American economic leadership, if it is to continue, depends. The nation needs both a vital, dynamic private sector and a vital, dynamic public sector if our market economy and wellbeing are to flourish. The government is not the solution, but neither is the private sector (viz the 2008 crash); both, kept properly balanced and holding each other in check by statesmen of intelligence and goodwill, offer our best hope for promoting the general welfare and liberty.

I note a few salient points here. As a good large system architect, Smith began with goals, the goals he thought desirable for an economy. As is obvious, these goals were as much political as economic, hence his term for his field, political economy. He then designed an economy with structure and incentives he thought might best accomplish the goals. His economy comprised both private markets and public services; thus an economy is much more than just markets alone. His society was sufficiently open – a growing mercantile class and a Parliament with growing rein over the monarchy – to find his proposals, both his goals and his design for the economy, persuasive, and they were gradually implemented, though not without opposition. The modern field of economics has considerably circumscribed its scope from that of Smith's political economy (now almost a lost discipline), focusing largely on private markets and their management and steering clear of political objectives. In doing so it also circumscribes its utility for policy design.

Smith's private sector component now comprises a very large set of interacting private markets and submarkets, producing our many and varied private goods and services. These private markets vary in how well they satisfy the set of conditions economists have found to maximize consumer value for money. The government, using policy and regulation, is to oversee that these conditions obtain; its present performance is with mixed success. Some markets it has kept quite sound, in which case producers maximally profit only by serving their consumers' welfare. Others are quite unsound, in which case producers maximally profit at the expense of consumer welfare. (There is also the case of some markets so unsound that neither producers' nor consumers' welfare is served.) In all these private markets, sound or unsound, those with the means and talent invest capital in new and/or existing private enterprises (our capitalists) in which they have full or share ownership. They either themselves manage or hire managers to run these enterprises (management), who then hire workers as needed from the larger workforce who share little or no ownership in the enterprises (labor). Some capitalists create and manage their own enterprises (our entrepreneurs), others simply provide capital for enterprises they do not manage (investors).

## A Diagnosis: The Structural Nature Of Rising Inequality In Markets.

I now come to the heart of the argument that rising inequality in the present economy is structural. It hinges on a penetrating observation by Smith more than 200 years ago: the private market component of his proposed economy has the following property:

> -- "...the rise of wages operates as simple interest does,
> the rise of profit operates like compound interest."

In other words, even in sound markets, and usually much worse in unsound markets, shorn of intervention and oversight by the public services, the financial returns to private capital investment mount much faster than the returns to labor.

- If Smith is right, the material wealth produced by capital enterprises in markets will tend to increasingly concentrate disproportionately in the hands of the owners of capital, even though they are working no harder than before; and labor's share of the wealth it helps produce will steadily decline, even though it is working no less hard than before.

If true, then without adequate mechanisms incorporated in the public services component of Smith's proposed economy, markets, even Smith's sound markets, left to themselves have an inescapable structural effect of steadily worsening inequality. (The technically oriented will recognize this as a runaway positive feedback loop.) Unexpectedly, Smith's extraordinary innovation, the private market component of his proposed market economy, designed to help the unprivileged gain a more just share of their society's wealth, can, if left unmitigated, become their enemy, utterly contrary to his goal of spreading prosperity generally,

In Smith's day there were few capital entities beginning to approach those of today's giant business and finance corporations and conglomerates, so it is not certain that Smith grasped the gravity or endpoint of this structural weakness. But he certainly understood that it was dangerous, enough to propose remedies (Smith's remedies are discussed later below).

The crucial question is just how true is Smith's observation? Does it hold up over time as markets and producers evolve? Smith based his conclusion on his own shrewd and knowledgeable scrutiny of the workings of markets and capitalists of his day. But once pointed out to observers today, who make the same careful inspection of present markets, Smith's observation seems no less obvious at present than in his own time. Can it be shown more rigorously than by astute qualitative inspection and insight? One would prefer more rigorous and objective confirmation if possible, using empirical time-series historical data, of any such crucial conclusion no matter how face-valid and persuasive it appears upon qualitative inspection.

At last, two centuries later, that desired more quantitative and objective empirical verification of Smith's original observation has become possible. French economist Thomas Piketty's recent new book has created quite a stir by reaching basically the same conclusion as Smith: the run-away nature of capital accumulation and consequent rising inequality in market economies in the absence of redistribution or other constraining measures. Piketty has proven empirically with much greater objectivity and rigor the observation made by Smith more than 200 years ago.

Smith and Piketty thus show private markets, by themselves, not only produce material wealth, they concentrate that wealth increasingly disproportionately in the hands of capital holders. Unless compensating mechanisms are included in the second component of the economy, the public services, to assure that private markets promote the general welfare rather than just the welfare of capital holders, the material wealth of the society will increasingly concentrate in the hands of capital holders.

To complete the argument, an additional observation should be added to Smith's. Capitalists do not stay content with their wealth, they seek to increase it, and to do so they begin to eat each other up. One cannot help but observe the growth, acquisition and consolidation of smaller firms into larger and larger firms. Sometimes smaller firms welcome mergers or being acquired; others may oppose acquisition but are forcefully taken over by the much greater leverage of a larger firm that has targeted them. As a result those who control these larger firms exercise more and more control over the nation's capital assets.

It is not necessary for individual holders of capital to own all the capital assets they control, they simply need to have sufficient control to determine how the capital they do not personally own is used. For example, stockholders in a large corporation have very little control over the behavior of the corporation unless they hold a very large portion of its shares; control is effectively exercised by top management and the board of directors (and boards themselves are not infrequently the chosen handmaidens of top management). Stockholder meetings are highly managed affairs carefully choreographed by top management, and it is rare that, except for very large stockholders, that any stockholders can muster the time, resources and inside information to build a coalition sufficient to challenge management. Top management thus holds and controls far more capital than it owns. The same is true of top directors of hedge funds. Thus as these large business and financial organizations grow at the expense of smaller competitors, concentration of financial power increases as fewer and fewer holders at the top control more and more of the nation's capital assets.

In other words, not only does inequality grow between capital and labor, it grows among holders of capital themselves. It is this ability of larger holders of capital to acquire ownership or control of smaller holders of capital with or without their consent that concentrates more and more of the nation's capital and its attendant financial power in the hands of ever fewer, larger holders of capital. (This is an example of incumbency, a runaway phenomenon defined and elaborated on in Part II. below.) Thus arise the structural forces driving inequality and its attendant concentration of wealth and financial power, ineluctably upward in the present economy.

- Knowing now that markets have this potential for runaway inequality and runaway concentration of financial power that violate our Constitutional responsibility to promote the general welfare and liberty, we become Constitutionally obligated (Congress and Supreme Court, please take note) to design an economy with structure and incentives that will constrain and prevent any such runaway.

So we must now inquire whether in the present economy there are any limiting factors that will arise to constrain this runaway inequality driving ever greater concentration of financial power. Any such limiting factors must be strong enough to constrain inequality from exceeding the safe range that protects the general welfare and liberty. If they do not become operative until well above any reasonable upper bound on the safe range, then they do not protect the nation from tyranny.

I can observe no such built-in limiting factors in the structure of the present economy. Indeed, the reverse appears true. Such built-in constraining mechanisms as once existed – progressive income and asset taxation, etc. – have been steadily eroded over the last thirty years by Congress, with attendant acceleration in inequality. And the recent amazing Supreme Court decision in Citizens United has now, to the contrary, installed an amplifying mechanism likely to accelerate the rise of inequality and concentration of financial power: not only may holders of capital spend unlimited amounts of their own personal fortune to influence elections, the Court ruled that they may now additionally spend unlimited amounts of the assets of the corporations and financial firms they control, often several times greater than their personal assets, to the same end. (I discuss this influence on elections and its observed and expected consequences in Part II below.) Thus current built-in mechanisms in the present economy not only do not constrain or limit the rise of inequality and its attendant concentration of financial power, they likely accelerate it.

Hence we may now ask if there is any external natural mechanism that will arise to constrain inequality within the safe range; and if not within the safe range, where is inequality likely to stop? It cannot be completely unlimited. It cannot exceed one individual controlling all the wealth, but in practice it will stop long short of that. So we must ask how extreme beyond the safe range is inequality likely to go before natural external constraints slow it to a halt. Moreover, because a rise to truly extreme levels seems unimaginable to many people – their experience suggests it really can't become all that bad, can it?!! – we must inquire what the nation might look like at this point. I turn to these questions in Part II next.

To be completed:

Part II.  Incumbency and The Death Knell of Liberty

- the concept of incumbency
- the first great incumbency: organized force due agriculture
  -- liberty and wellbeing before agriculture
  -- collapse of liberty and wellbeing after agriculture
- the growing evidence of a second incumbency: capital in flawed market economies
  -- the new size
  -- the new propaganda
  -- the new bribery

Part III.   Toward An Economics Of Wellbeing

Part IV.   Redesigning the Economy and Other Necessary Institutions