

The Janeiro Donelson Perez Lecture on Inequality

– Wednesday, June 27, 2012
6:30 – 9:30 PM
Lillian H. Smith Public Library
239 College Street (near College and Spadina)
Meeting Room A

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Two Books to read together: Rogoff and Haidt

Thanks very much. I brought two books that I think are important. I think it is important to read certain books in tandem. For example, it is interesting to read James Galbraith's The Predator State while reading Naomi Klein's Shock Doctrine. Another set of 'tandem reads' are the following two books. One is by Ken Rogoff and Carmen Reinhart called This Time is Different¹. Rogoff is famous for a particular type of analysis on inequality.

And it's actually not about *this time being different*. It's about how each time we have crashes and bubbles that it's all the same as the times they occurred before.

The second book is a book called The Righteous Mind: how good people are divided by politics and religion² by Jonathon Haidt. He is a liberal social democrat himself. But I think for about the first time, he has successfully analysed why conservatives win and why the conservative mindset wins. Perhaps David Frum came close in some of the things that he's written³.

But if you think of *game theory* and think about the *rounds* of a boxing match, people will talk about the *neo-liberal round*. They'll talk about the *welfare state round* and why the neo-liberal round continues to win in terms of issues like inequality, bubbles, business cycles, and why elites prosper.

Haidt has a couple of chapters of importance here. So if you don't want to fork out the \$35-\$40 for the book, you can go into a book store and just read a chapter called *The Conservative Advantage* and another chapter called *Beyond Weird Morality*. He's basically talking about how liberal social democrats and people who are generally progressive are very much, over the course of history, a minority in terms of how they think.

I also have a handout (included) that I'm going to give you just a little bit later, a chart that shows what the Dow Jones Industrial Average (DJIA) has done over the past 40 years.

Three Leaders on Taxes, deficits and the unequal world our children inherit

But I want to start with three quotes. These quotes are all from people who were American Presidents or Canadian Prime Ministers; one prime minister, and two presidents. In the case of Mr. Harper, he was elected two more times after the quote, one a minority and then a majority. President Bush was elected two times, as you know.

¹ <http://press.princeton.edu/titles/8973.html>

² <http://www.amazon.ca/The-Righteous-Mind-Politics-Religion/dp/0307377903>

³ <http://www.amazon.ca/Comeback-Conservatism-That-Can-Again/dp/0385515332>

The other is from Ronald Reagan's inaugural address. I'll start with Reagan's 1981 inaugural address which set out what is one of the foundations of something we call Reaganomics. It's a very famous quote. You may know it. But just to refresh you: he said:

"But great as our tax burden is..."

(So tax, remember, is framed as a burden)

"It has not kept pace with public spending. For decades we have piled deficit upon deficit, mortgaging our future and our children's future for the temporary convenience of the present."

So interestingly, we are mortgaging our future – it is one of the first times that it was articulated that we're *mortgaging our future and our children's future*.

Now remember, this is 1981. We're now in 2012. This is 31 years later. And so **we** are the ones now mortgaged with this, the 1981 debt. He goes on to say:

"To continue this long trend is to guarantee tremendous social, cultural, political and economic upheaval."

Now you have for the first time the idea that 'tax as *burden*' is linked with public spending, *piling deficit upon deficit*, fused with the idea that we're *mortgaging the future* to improve the lives of people living today. In other words, we're gaining something from today's deficits and we're living a life that's a better life that's going to be make a future generation live less well.

This next quote is from President Bush, in a radio address from April 1st, 2006.

"The debate in Congress over taxes ultimately comes down to this: who knows best how to use your money - the politicians in Washington or you? I believe the money we spend in Washington is your money." So it's not the government's money, it's your money. "Not the government's money. I trust you to make the best decisions about what you do with your hard earned dollars."

And please note that *hard earned* comes in here. Whenever you're talking about taxes, dollars are always preceded by being *hard earned*. So the 1% hears that their dollars are *hard earned dollars*. Let me repeat a sentence and then go on.

"...I trust you to make the best decision about what to do with your hard earned dollars, because when you do, your family is better off, our economy grows, and prosperity and opportunity spread throughout our great land."

In other words, the more money you keep, the more prosperity grows, the more money we keep as governments, we waste it and this is not a good thing.

So let's look at the logic. He is in government – the head of government - and basically his position is to shrink the size of government - which is what Reagan said -and each were re-elected.

Mr. Harper has already been re-elected twice. His second re-election which came after the quote was a majority. At his G8 address in Italy in July 2009, he said:

“You know, there are two schools in economics on this. One is that there are some good taxes – some good taxes – and the other is that no taxes are good taxes. I’m in the latter category. I don’t believe that any taxes are good taxes.”

That’s Mr. Harper. It’s a direct quote at the G8 in Italy. It wasn’t caught on a tape recorder at the side or anything. It’s in the speech. He meant to say it. And he got elected.

These are superlatives. They’re openly said, they’re not qualified in any way. And even if you’re just to take those three quotes, I would think you could make a good case for how the political spirit of inequality rules us. Why: because taxation is one of the bases of an equal society. Our most unequal societies are those with the least amount of government and the least amount of government expenditures and the least amount of taxes.

Our leaders are very safe in promoting a world with lower taxes. Inequality is not necessarily an overt goal of an anti-tax agenda; it is one of the principal consequences. And it is clearly a consequence that national leaders are willing to accept.

The difficult policy frame of inequality: a negative abstraction with no absolute solution

From a public policy perspective, inequality is like homelessness. It’s a negative that indicates an absence of something; in this case, equality. It’s also a negative abstraction. When we talk about homelessness, the first public policy response is to solve the problem by getting the homeless into homes.

But the problem with any negatively defined public policy concept is that it means almost anything to anybody.

If we were to go around and talk to each of you individually in this room and ask you what inequality is, it’s just going to be ‘all over the place’. The same thing happens with homelessness. Someone will define it as a mental health issue, someone will have it as an inequality issue; someone will have it a housing issue. You name it; the causes of it will go all over the place. And in very few cases will someone say that the correct response to homelessness is just to give somebody a home. People tend to think it’s more deeply rooted than that.

Inequality being a *negative* has the further problem of it being a negative *abstraction*. Let’s say you were to walk down to College Street and ask the next hundred people walking down College or the next 100 people walking down Yonge Street and ask them this question:

What should we do about inequality?

One of the responses might be somewhat like the obvious responses to homelessness. The first response is to get somebody in a home. Homelessness *does* have an absolute solution. Inequality does not have an absolute solution. For inequality, it’s a bit different because the answer is not ‘to make everyone equal’. The answer is to ‘reduce inequality’. The problem is that no one knows by how much inequality should be reduced.

Let me tell you a story.

I deputed at the public hearings before the committee considering Bill 55, the Ontario Budget Bill on June 6th (2012). I deputed just before John Sewell got up to talk about amending a schedule to ensure that an MPP should not be able to make more than five times what somebody who is poor makes. He pegged the poverty amount at \$15,000. Therefore, his answer was that an MPP should make \$75,000.

MPP increases therefore would be tied to increasing the incomes of people who are in dire straits. The conversation in the legislature went as follows:

Mr. Peter Shurman: Thank you, Mr. Sewell. I appreciate your presentation. I'm interested in getting a clearer definition of what "equality" means to you. In a perfect world, does everybody make the same amount of money?

Mr. John Sewell: No, not at all. What I'm trying to do is reduce inequality.

Mr. Peter Shurman: Please be more specific in your definition of what that means so I understand it better.

Mr. John Sewell: Terrific. What I would suggest—really, really simple—is I think it would be good if MLAs didn't get paid any more than five times the average amount that people at the very bottom of the system get paid.....

You must remember that when I grew up, when I went to school—university across the street there—the economic inequality in society was much, much less than it is now. In fact, if you took the top 20% of society and compared them with the bottom 20% of society, you'd find that their incomes, the top, were only four to five times higher than those at the bottom. Now, it's more like eight or nine times higher. We've got to reduce that. That's the only way we're going to get a better society.

Mr. Peter Shurman: Interesting, because I think you and I grew up in the same times. I grew up in a relatively modest family; I could even say poor and not be stretching the point. At this point, I'm not a rich man but I'm not a poor one either. No risk, no reward. What do you think of that adage?

Mr. John Sewell: I'm not quarrelling with that at all. ⁴

Mr. Sewell made an excellent case that has real resonance for many of us. We want to turn inequality from its origin as a negative abstraction into a positive concrete course of action. We want inequality to have the problem profile of homelessness. Any of us who wish to reduce inequality will have to tackle the policy dilemma of turning a negative abstraction into a positive and concrete course of action. That is what policy-making is all about.

⁴ http://www.ontla.on.ca/web/committee-proceedings/committee_transcripts_details.do?locale=en&Date=2012-06-06&ParlCommID=8957&BillID=2600&Business=&DocumentID=26440#P75_6795

The pay scale solution to inequality: a trap?

But the 'pay scale solution' to inequality most often is a trap. The reason is that few of us think there is one scale that embraces all types of work and all types of pay. What people get from tax rebates is different from entitlements. Wages and salaries are different from dividends and capital gains. Bonuses have a separate rulebook while wages and benefits vary widely by sector.

In addition, surface level public opinions concerning biography, effort, family, fame, study, risk, reward and personal choice all figure into the cacophony of scales we use and the way we judge their worth. Mr. Peter Shurman's responses to Mr. Sewell bring this out well.

Perhaps former Manitoba Premier and Governor General Ed Schreyer was the first public leader to invoke the pay scale solution to inequality. He famously said it in the 70s that a CEO shouldn't make 2.5 times than a worker. Mr. Sewell put the ratio at 5:1.

But while we engage in the pay scale debate, the CEOs are pulling away. They're making 10 times, 20 times, 30 times, 100 times, and 1000 times what wage-earners make. We now have Tim Cook as the CEO of Apple who makes \$378 million per year. That is about \$1.1 million a day. So is that bad? Is it good?

Turning the negative abstraction of inequality into a positive concrete set of actions is a tough go. One denominator may work for a common set of wages in the frame of a common set of values but seldom works outside of a particular wage and value frame.

At the same public hearings on the Budget Bill on June 6, 2012, one of the MPPs said under his breath, as Mr. Sewell was getting up, "Gee it might be nice to make as much as a rookie constable." This was not for the record. It wasn't on the tape. But there's the point. The rookie constable with the overtime hours is going to make more than \$75,000. Everybody starts comparing each other to everyone else within their frame of reference.

The conservative MPP who asked Mr. Sewell the question said: "Well what do you wanteverybody to be the same?"

The question is: 'what is right?' If you get into that sort of argument, it becomes very difficult. We have billionaires in Canada that have \$20 billion. If you get into wealth inequality and you start to come up with a solution for that, and let's say, "Well we should confiscate 95% of their income." Well if you were to do that with some billionaires in Canada, they'd still be billionaires. Is that okay? In other words, once you start to build the solution of equality, then it becomes very difficult in order to put a denominator to it.

How civil society justifies inequality: proportionality between pay scales

Jonathon Haidt talks about the conservative palette in [The Righteous Mind](#) and David Frum says we should celebrate inequality. Let's think of that MPP who said to Mr. Sewell: "*Well what do you want... everybody to make the same?*" People work hard, why shouldn't they get more money? How about people who really make an effort compared to somebody who doesn't make any effort? What's the matter with them having many, many times more income than the *effortless*?

We know something's wrong. We know that \$378 million a year, a million a day, is wrong, but we don't know how to right it. We don't know how to say what ought to be right in numerical terms. And I think anybody who tries it is going to get caught very quickly. What Haidt talks about in his book is that the conservative mindset sees equality solutions as an issue of proportionality between groups as opposed to equality overall.

Proportionality between groups compares like to like. We tend to look at people with whom we compare ourselves. I overheard a conversation last week where someone said, "I don't understand why we couldn't chop those janitors' incomes in half. They're making \$22/hr. Why couldn't we get it back to \$11 an hour because we're in a deficit and we need to do that?"

Then the same person started talking about the *sunshine list* and started talking about bureaucrats making over \$100,000 and *isn't that awful?* He said their pay should come down. The janitors' should come down.

But he then talked about some new guy that the Leafs were going to get and he's really pumped about it. They're going to pay him millions of dollars, and he thinks this is great. Well, wait a second: you wanted the janitors to go down, you want the sunshine list guys to go down, but you think it's fine for somebody else, a teenager, to be making mega millions of dollars all at the same time?

The answer is that our society thinks of proportionality between groups. We don't tend to compare ourselves to baseball pitchers and we don't compare ourselves to hockey players. They're off in some other land. The proportionality debate always comes down to the people with whom you compare yourself. And that is the basics of what Haidt sees as the conservative mindset.

If things start to get too unequal within your own group, then it becomes an issue, but it doesn't become an issue between groups. It's okay. Remember that CEOs really work hard, so why shouldn't they make \$378 million? And if they can charge that much for the iPad, then go ahead. What's wrong with it?

We don't seem to have solutions when we try on the idea of reducing inequality overall; we quickly get caught and we don't have solutions. One of the reasons we don't reduce inequality is because we don't have good public policy to reduce inequality between sectors.

In the private sector grouping, the sky is the limit, one surmises, because the taxpayer is not footing the bill directly. What is it that Alex Rodriguez gets? He gets \$228 million. Well if he's a good baseball player, why not? We don't have to watch. If Tim Cook is a good executive, why not pay him? We aren't forced to buy iPads. There is a wide proportional inequality within the private sector.

But equality is making big inroads in the public sector. The Public sector is being forced down and the private sector forced up. Let's start to examine other reasons why this happens.

GDP is the happiest number: and it is agnostic to inequality

As noted earlier, inequality is a negative abstraction meaning that we can only see its negative effects through examples and measures and if Haidt is right, we only accept measures within groups, not between groups.

But as much as we resist an overall measure of inequality, we do as a society - by and large - accept one overall measure for growth: GDP or Gross Domestic Product. It's just about the only measure that's absolutely pervasive in almost everything we do. And do you think if I was able to stop the next 100 people on Yonge Street, and ask the question, 'what is GDP?' would people be able to define it correctly as "*the market value of all officially recognized final goods and services produced within a country in a given period*"⁵.

Would they also know what is not included in GDP? For example, I can volunteer at Woodgreen for 25 years and I don't contribute one cent to GDP. But if someone sells me a magazine through telemarketing, **that** contributes to GDP. It is interesting that our one big measure, GDP; people generally don't seem to know what it is.

I have a trick question for the classes I conduct. I ask members: "*quickly tell me whether governments' expenditures are part of GDP.*" Some say, "No. No they wouldn't be."

Of course you know that government expenditures are part of GDP. But many people tend to think that GDP, which is *productivity* in the common parlance, doesn't include government expenditures. GDP from this vantage point can only include the expenditures of the private sector.

In the lore of the right, private sector spending causes growth. The Government sector detracts from growth.

Yet isn't that what Mr. Harper and Mr. Reagan were saying, and especially Mr. Bush? It's 'your money' and 'your money' grows. Private money *grows*. Government money *takes*. Yet GDP as a measure takes in all expenditures at all sources. So as a public, we don't understand what GDP is.

In my own straw polls – I never get anybody who can get GDP right. Only experts – a small cabal – even know what it is.

But the important part about GDP is that GDP is agnostic to inequality. In other words, GDP figures stay exactly the same whether inequality goes up or down.

It's the big measure we use. We call it growth. Everybody uses it. Everybody says we need more of it. If we have two quarters of negative GDP, we're in recession. If we have a lot more than that, then we're in a depression.

It's our only real measure of growth. If you take any other index of how well we are doing as a society; for example, the Canadian Index of Well-being, or any other index that includes how we all do, how do they measure up?

The answer is that all the other indices do not measure up. GDP always grows at a far higher rate than any index of well being.

⁵ http://en.wikipedia.org/wiki/Gross_domestic_product

This means that GDP numbers are happy numbers and indices of well-being tend to be sad numbers. When measures of well-being are released, the question is always asked: "Is the index of well-being doing as well as GDP?" The answer is that it's always less than GDP. When indices of well-being are developed, they diverge almost immediately from GDP always tracking lower.

The reason is that indices of how well a nation is doing include how all of us are faring. They implicitly take equality into account. In the US, Tim Cook makes \$378 million while it takes 47,000 social assistance recipients to receive the equivalent of his yearly salary. But an index of well-being has to include all of those social assistance recipients, not just Tim Cook. Tim Cook is firing on all cylinders when it comes to well-being; the 47,000 social assistance recipients are not.

It's not that GDP lies about well-being. It simply does not measure it. That's why GDP per capita numbers in New York and Ohio look much better than Ontario's. And yet we look at those pictures of the housing in Cleveland and say, "This is what we want to be like?" But at the same time, there are 10,000 to 20,000 people who are making so much money that when they are divided into the GDP numbers, New York is doing very well. New York is doing better than us. But it's only the few people who move the needle.

A good index of inequality could be a simple ratio of any indices of well-being - anything that includes all of us - to GDP. But please recall Galbraith's dictum about the conventional wisdom. There are four rules: it's simple, it's understandable, it's in a frame that you understand and it gives you self esteem.

All indices of well-being are always going to be more dismal than GDP. GDP is a happy number. We like to be happy. We like things that give us self esteem and therefore, GDP continues to reign as the conventional measure. Why does it continue to reign decade in and decade out? Not because GDP is the best measure of how all of us are doing but because it is always the highest and happiest even when it's down. A more dismal measure doesn't stand a chance.

Inequality is a consequence of policy-making: No one sets out to create inequality

In general, we do not have overt public policies designed to make people rich. Aside from lotteries, we don't have people sitting around a cabinet table or a city council devising way to make just a few of us wealthy. We don't have governments sitting with think tanks thinking about how we can make just a handful of us rich beyond our wildest dreams. We don't have academics sitting around thinking up public policies to make a few people rich.

I take from this observation that we have the 1% and 1/10th of the 1% who are very, very rich, to be a consequence of policy. In other words, it's a one off. It's not something we go and do. Whenever we talk about public policy to end inequality, it's more about bringing people up and bringing them down. It's not about making the poor rich. We have to look at policies designed to do other things that produce inequality as a consequence. This makes the abstraction more abstract and makes solutions harder to come by.

A new recipe for inequality: Don't let any government default on its debt

Rogoff and Reinhart have something to say about inequality in [This Time is Different](#). They talk about the fact that of the thousands and thousands of sovereign and non-sovereign defaults that have taken place over the centuries, there are only five countries that have never defaulted.

Canada is one. Canada has never defaulted. New Zealand has never defaulted. The UK has devalued, they've done lots of things, but they've never defaulted on sovereign debt. Every other country in the world has defaulted at least once and others like Greece has defaulted many, many times. Defaulting is a pressure valve on inequality because generally speaking, if you look at the bond holders, the counter-party to the loans we make, it tends to be our own citizens. And the citizens to whom we owe the money tend to be our most well-off.

Paul Krugman in his book [End this Depression Now](#)⁶ explains that many people believe that much of the money that comprises our debts and deficits is owed to China. Even though that is factually not the case, it is interesting that people would think that we owe to China. We may well ask to whom in China we owe this money.

But we now live in a time when we don't allow defaults in the same way as we used to allow defaults. In the 1930s, there was just thousands and thousands of defaults of municipalities, of provinces. Newfoundland defaulted in 1936. Alberta defaulted. Saskatchewan defaulted.

When default is permitted, greater equality starts to prevail. For example the chart in [This Time is different](#) that shows defaults over the decades is almost a mirror image of the charts that many economists show depicting the Gilded age before the 1920's and the new Gilded age that is emerging now. When defaults are low, the gilded age rides high. When defaults are high, the gilded age goes into retreat.⁷

There is a simple explanation. The rich have the money and when countries, provinces, and municipalities default, those that have money lose money. In market transactions, when stocks and bonds go down, the buyer loses money. But when it comes to government debt issuance, moral hazard takes a back seat. The rich don't want to lose money; they want to be paid back. So if a country goes down, we save it anyways, prop it up such that all the money has to be paid back. No risk for the bondholders – only for the citizens in failed economies. This is a recipe for inequality.

Greece and a number of other countries should be allowed to default. They've defaulted before. They have a history of default. We have other countries that have histories of default like Argentina. But now we don't let anybody default.

And by not doing so, we are creating inequality. If you want a little bit of a different perspective on how inequality gets created, Rogoff and Reinhart have done a fabulous job explaining how failure to default creates inequality.

⁶ <http://www.amazon.ca/End-This-Depression-Paul-Krugman/dp/0393088774>

⁷ The other more celebrated megatrend is the move from higher to lower taxation over time which is another major cause of gilded ages and gross inequality between the 1% and the 99%. See: <http://visualizingeconomics.com/2010/02/04/historical-marginal-income-tax-rates/#.UEC98dZITng>

The U.S. has never defaulted and there's a reason for that. In the modern era, in 1944, there was a meeting at Bretton Woods New Hampshire where a decision was made to make the U.S. dollar the world's reserve currency. With the U.S. dollar being the reserve currency that everyone needs to buy commodities and other things, in many ways it often goes into short supply. Whenever there is a crisis outside the US, you start to see the US dollar go up. Seventy five percent of all U.S. dollars circulate outside of the U.S. borders. For Canada, the comparable number is 16%.

In other words, the US only has a quarter of its money within its own borders, so to speak. That's very important because US debt can go much higher while the cost of their debt stays low because they have the one currency that's the world's reserve currency. Not only do they create a currency that's in demand, they get to send around pictures of dead presidents and get real stuff back in return. It's a good deal for them and the US has the highest concentration of gross inequality and the highest number of fabulously rich people.

Why inequality continues: Jonathan Haidt's answer

I want to say a little bit about the idea of the conservative moral palette that Haidt talks about. And I'm jealous of Haidt. I wish I'd made it up myself. When John Myles asked me about this book, he asked what I thought of it. My reply was that it's a lot better book than I wanted it to be.

He says that people who are liberal progressive social democrats have a moral palette comprised of two great concerns. The first is *care*, care for others, and care for the fact that we think about the poor. We think about people who are less well off than us. We think about people who are making a lot more money than us. We think about equality. We're always thinking about those things. We volunteer because we want people to do better. And we want everyone to do well. And we think that's the moral basis of a good society, a caring society.

He says that the other part of our moral palette is *fairness*. If this room is full of people tonight who think of themselves as progressive liberal social democratic type folks, your greatest concern in terms of your moral palette will be about having a caring society and having a fair society, one that's based on fairness and equity.

What Haidt goes on to talk about is the moral palette of the conservative also has caring and fairness in it, but caring and fairness come at the bottom. But there are four other components of that moral palette that the conservative includes. Those four things are in order: sanctity is the first. The second is loyalty. The third is liberty. And the fourth is authority.

Being somebody who worked in social welfare all my life, I have a number of conservative relatives, maybe a disproportionate number. And when I go and I see one of my more aged relatives, he comes over to me says, "I say let them starve."

And what he means by that is:

"You work with all that welfare stuff and I don't agree with any of that. They shouldn't have it. And I'd cut it off today. And they cut it off in the States and good on them."

So what's he thinking about? He's thinking in his terms about questions related to the behaviour of people who do not do well in our society and his questions are: related to

"Why don't these people behave? Why don't they just do what they're supposed to do? I went out, I worked hard, why shouldn't you work hard? And if they don't work hard, then they should starve."

He's not thinking of the old expression that some people were born on third base and think they hit a triple.⁸ He doesn't care that some people have a different starting line in life. He just thinks about the issue of sanctity and the kind of society he lives in based on certain moral values.

I really encourage you to read that one chapter in the Righteous Mind talking about sanctity, loyalty, liberty and authority because he tries to explain why in the US people would vote for policies that would do them harm, unfair policies that would in fact give lots of money to people that are not like them and that would actually make them worse off while the rich and powerful benefit.

The electorate votes for the interests of the rich and powerful (the 1%) because those policies are based on *liberty*. In other words it's your money. It's not the government's money. That's where liberty comes in, the issue of authority answering the question: "who's in charge here?"

The thinking runs like this: "We have this runaway debt that's taking us over. We're not ruling. The debt's ruling. The deficit's ruling us. And it's all money we have to pay and we're putting it on the shoulders of our next generation. It's taking our authority away from us. But if that money goes back to you, forget it. It doesn't matter if the street lights go out.

One Solution: A new dialogue with the 'gerontocracy'

The real solution to inequality is for the majority of civil society to think differently about the problem. Rather than settling for fewer services and taxes, we need to think about having better services and paying for them.

Frank Graves of Ekos has made reference to the fact that Canada is getting older; noting that the median age in Canada was 26 in 1967 and is now age 42. He uses a new word that I had not heard before: the *gerontocracy*⁹. The term stands for the large bloc of voters in their senior years who have a history of turning out to vote and who mostly vote Conservative. Those of us who are not seniors have to pitch to the gerontocracy that we now have in charge. We can call on young people to vote but they seem to have less and less interest in party politics. Young people also say they're going to vote and then don't. Although younger people would generally vote more progressively than older people, it looks like thinking that is pro-inequality in its consequences could last for a long time.

It is also important to point out that older people have generally been doing very well. If you take today's seniors between ages 75 and 95, these are people whose children basically made it through school, and got a university education that didn't cost so

⁸ <http://www.quotationspage.com/quote/23536.html>

⁹ <http://www.ekos.com/admin/articles/FG-2011-09-23.pdf> p.31

much, in the 70s, 80s, and 90's. They paid far less for good services and infrastructure and lived - more importantly saved - through a period of phenomenal market rises.

The chart on the next page shows the Dow Jones Industrial Average (D JIA) over a 25 year period from 1987 to 2012. But look closely: in the 11 year period from 1988-1999, the prime investment years of most of the people who now make up our older members of society, the DJIA went up by 455%. They lived through the best days of markets. The Dow went from 2000 to 11,000 from 1988-1999. They made a lot of money and were able to save large amounts of money. If they moved it out of the markets, they made reasonable interest rate returns often in excess of inflation.

And what's now happened in the last 13 years, the Dow Jones industrial average has had two big falls and a crash in 2008-09 that was larger than the 1929 crash. In that period, the DJIA has increased by 19% in 13 years versus 455% in the 11 years preceding.

The people who are now struggling in their high cost years as younger adults and middle aged adults in their 30s, 40s, 50s and early 60's, they are doing a lot less well than the people who are older than them.

But you can't talk to an older person and say, "You really lived through the best years." Their reply and the mythology that they hold to elicits replies like: "Oh no, I didn't. It was hard."

It's interesting that most people think that life is really tough. They will point to colour TV's and computers that they did not have as children and young adults¹⁰ which everyone has now.

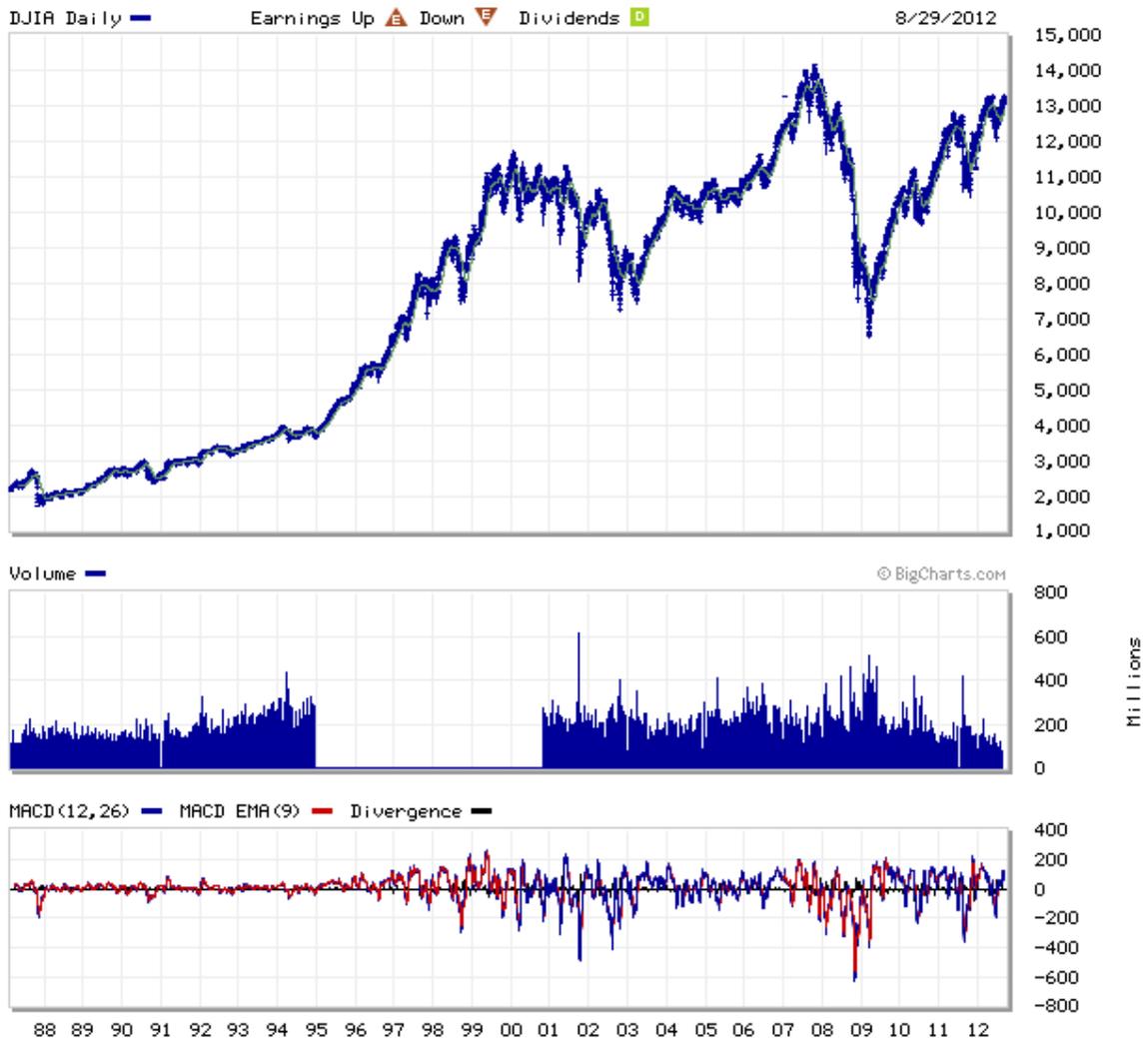
Yet if you look at it just by the numbers, they were able to save through that unbelievable period in the market. And still they will say to you, "Nuts. You can do well as I did. You just work harder and make more money, and then you do without like we did and you save it". This creates a real divide as it is very difficult to get that older group to talk about inequality because they don't see it. They had the good days and now we're having the days that aren't so good for markets. The gerontocracy doesn't buy it.

At this juncture, I want to return to Galbraith and his important observation that people will accept wisdom that gives them self-esteem. I'm an unreconstructed Galbraithian in that sense.

To conclude, it will be very important to connect to the gerontocracy and find new ways for them to feel good about themselves through helping to reduce inequality. We have to respect and understand their views about sanctity, liberty, authority and loyalty.

Yet if we continue to hector an unbelieving generation of seniors about fairness and caring, and especially if Haidt is right, then we will continue to talk to ourselves and those that vote for inequality will continue to feel justified.

¹⁰ <http://openpolicyontario.com/talking-to-seniors-about-working-poverty/>



What we really need to do is think about engaging those whose lens on this takes into account what Haidt calls a wider moral palette. That's one of the things Margaret Wentz said in an article on Haidt in which she praised conservatives for what she understood to be their more developed moral principles¹¹.

Although her article grossly misrepresents Haidt's book by making it sound that he is singing the praises of the conservative mindset, Wentz inadvertently makes the strong point that people must feel good about what they have done. And if seniors struggled in their view to obtain the good life, we need to tell them that we are struggling too and that our struggle is just as hard as theirs.

John Stapleton

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¹¹ <http://www.theglobeandmail.com/commentary/what-liberals-can-learn-from-conservatives/article4101563/>