

DISTRIBUTIVE JUSTICE AND INEQUALITY

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In the following narrative, a philosopher long affiliated with social work's interest in social justice examines the issue of inequality in our society, the political background, and the burdens being placed on the poor. His ideas are supported by historical and current data and a concrete view of the situation in a particular city.

In 1956, I came upon a federal government report in the local public library showing Stark County, Ohio, where I lived, to have the highest per capita income in the nation. My county was more equal than other high per capita counties. The radio ad for the local electric company declared northeast Ohio, Greater Cleveland, "The best location in the nation."

1956 was the last century's peak of prosperity as gauged by average age at first marriage. At sixteen I had the option to leave school to earn nearly as much as my father in the steel mill; enough to start a family. I did not plan to go to college. Sputnik changed things. Out of the blue, the company that owned the steel mill where my father worked awarded me and other children of employees four-year scholarships to college, all expenses paid. I studied philosophy.

In 1967, I was hired at Case Western Reserve University as an assistant professor of philosophy. My scholarly ambition was to improve the case for consideration of equality in reasoning about justice. A philosophy colleague with interests similar to mine joined me in my desire to learn more about the disciplines of law, economics, and social work, which we thought relevant to understanding inequality.

Together we read constitutional law, especially the 14th amendment provision that "no state shall...deny to any person within its jurisdiction the equal protection of the laws." This was a fundamental principle for the reasoning found in *Brown vs. Board of*

Education and other judgments and legislation removing laws which denied equal protection. He collaborated with colleagues in economics in research, publication, and course development. I found colleagues among the members of the faculty of social work.

Through these associations I came to comprehend the scope and contours of inequality:

- *Inequality is increased or decreased by changes in law.* Changes in law in the 50s, 60s and 70s made it possible to think that progress toward elimination of inequalities of race, gender, class, and nationality, might be secured by judiciary, legislative, and executive actions extending equal protection of the law to all.

- *Inequality has measureable quantitative properties, e.g., the relative magnitude of inequalities and the degree of correlation among inequalities of wealth, income, education and longevity.* By these measures in the mid-1970s, U.S. statistical data showed that average income was high relative to other countries, and inequality of income was low.

- *Inequality has experience-able qualitative properties.* Social work colleagues took me into prisons, juvenile detention centers, facilities for children separated from parents, mental hospitals, assisted living locations, the free clinics, and public housing. It was apparent that those with the least were being denied too much. For example, Ohio incarcerations

rates of adults and children were among the highest in the world, and the results were painfully apparent: visible crowding and separation of children from parents and family.

Inequality had three faces. Legally, there appeared to be progress toward equality; quantitatively, inequality appeared not to be irreversibly unjust; qualitatively, the existing inequality was certainly unjust, it seemed to me.

In the 1970s, philosophers were discussing Rawls' *difference* principle, whereby an income inequality *might* not be an unjust inequality if, as a consequence, those with least income will have more than they would have under an equal income distribution. On this view, distributive inequality itself is not assumed to be unjust. It is to be viewed as an independent variable to be weighed according to its utility to the least well-off. Of course, an inequality causing the least well-off to be worse off would presumably be unjust.

Around this time, my social work faculty colleagues were discussing that inequality is systematic: the same people had more and the same less of everything. Increase in inequality is hard to achieve without taking from those with less and giving to those with more. Increasing inequality does not in fact generate utilities accruing to the benefit of the least well-off. In fact, more inequality is invariably more unjust. Colleagues among the social work faculty joined with members of community organizations in the early 80s to sponsor "Guns or Butter" conferences. These challenged the size of increased spending for war and preparation for war against decreased spending for pressing human needs.

In the 1980s, Conservatives gained political control of executive and legislative offices of government. Soon they changed the direction of public policy in favor of increasing inequality. Congress and the President cut taxes on capital gains and high incomes and increased social security "payroll" taxes on earned income. They cut benefits to the least well-off. The increase in social security taxes was sufficient to cause a surplus in the trust funds. This was invested in the bonds funding deficit caused on the income tax side of the

federal budget by cuts on taxes for the wealthy.

Changes in federal policy were so sudden and so great that there was an explosion of hungry and homeless persons on the streets of Cleveland. I found myself volunteering in a food pantry and joining with others to study the federal budget and the impact of its changes on our lives. Under the rubric "Jobs with Peace," we constructed a "peace budget" showing how changed federal priorities were devastating our local community.

After thirty years of more and more tax cuts to the largest corporations and wealthiest individuals and benefit cuts for those with less, the distribution of income is as unequal as it was back in 1928. Low-income mothers and children come out worst. There has been a generation long change in distributions of wealth and income such that the rich got richer and the poor got poorer. See Figure 1.

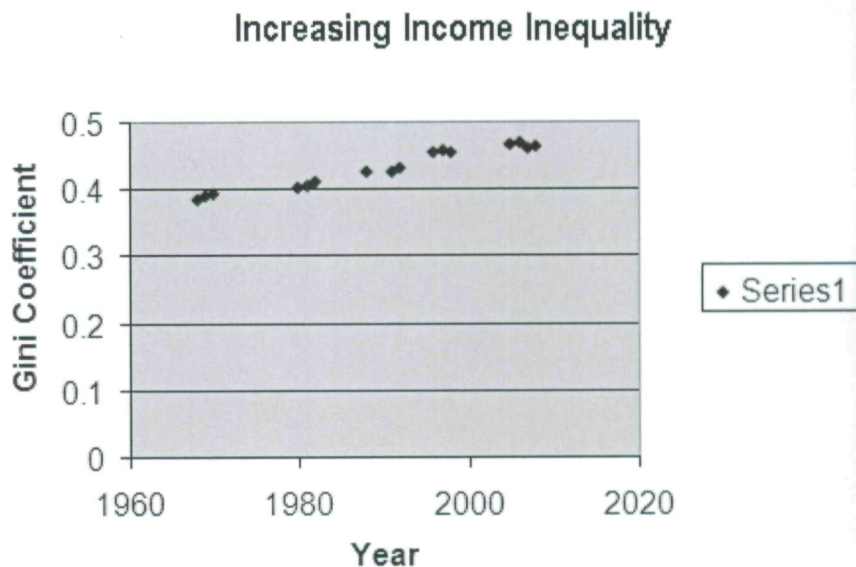


Fig. 1. The Gini coefficient measuring income inequality increased from .38 to .46 from 1978 to 2008. Each one point change reflects a shift of about \$500 a year in annual income from those with less to those with more. The eight point change shown here indicates that, on average, the inequality between those with more and those with less is about \$4,000 more each year. This is a shift from those with less to those with more that now comes to about \$1.2 trillion each year it continues unabated.¹

The shift in the burden of taxation to those with low earned income away from those with capital gains and higher incomes redistributed about \$250 billion dollars away from those with less to those with more. Borrowing instead of taxing another \$250 billion for the federal government benefits, again, our wealthiest citizens. Over a decade, the advantage to the advantaged comes to more than ten trillion of dollars. The share of those with more has grown at the expense of everyone else, including the least well-off.² Today, five times as many people are incarcerated as in the seventies; U.S. rates are double the World's rates.

Cuyahoga County Ohio, once at the heart of "the best location in the nation," now hosts the poorest city in the nation: Cleveland. Median family income has fallen. A higher proportion of the city is poor, and the poor are poorer. More children are separated from parents.

How did Cleveland go from best to worst? Why would the entrepreneurial spirit and work ethic of Northeast Ohioans not be up to maintaining high mean income and low mean inequality for the region? Some blamed it on the unions and workers. Others blamed it on the companies, managers, and owners. I blamed it on federal policies increasing inequality in income and wealth.

Yet one feature of the flow of funds in and out of the region stands out above all the others. About \$2000 per person (2010 dollars) more is taxed or borrowed out of Greater Cleveland each year by federal taxes than is returned by federal. These funds support military expenditures in other locations throughout the United States and foreign lands. There are nearly no military expenditures in the Cleveland area. Six billion (2010 dollars) have been taken away from the three million people of Greater Cleveland in taxes and loans for war and preparation for war over the last forty years.

Each billion dollars earned here but taken away for government expenditures elsewhere results in the displacement of more than ten thousand jobs. More than ten thousand persons must relocate to another region to find employment. Rates of unemployment and

employment displacement are higher for those less well-off than for those better-off. Consider this report from George Zeller, a long term observer of Ohio employment numbers:

*"The lengthy 2000s recession has been extraordinarily damaging in Ohio and within Cuyahoga County. Between 2000 and 2009 the county lost 109,694 jobs, which was 13.9% of all jobs in Cuyahoga County. Between 2002 and 2007 the county lost 25,527 jobs, representing 3.3% of all employment within the county. But between 2002-2007, these job losses were concentrated entirely within the city of Cleveland, not within the Cuyahoga County suburbs, where employment continued to grow. During the five year period between 2002 and 2007, employment levels actually increased by 0.2% in Cleveland's Cuyahoga County suburbs. During the same five year period, employment levels declined by 9.3% in the city of Cleveland while employment growth took place in the suburbs. That situation completely reversed itself during 2007-2009. Between 2007-2009, Cuyahoga County's suburbs lost 35,554 jobs, while the city of Cleveland lost 5,772 jobs during the same recent two year period. It is therefore clear that the suburbs in Cuyahoga County largely escaped the impact of the 2000s recession for five years, while the city of Cleveland accounted for all of the damaging net job losses within Cuyahoga County during the 2002-2007 recession years in the local labor market. But most Cuyahoga County net job losses during 2007-2009 were suffered in the suburbs, completely reversing the pattern for the prior five years."*³

Those with less lost more before those with more lost anything. Eventually all but a very few lose. The country as a whole suffers the same problem as northeast Ohio. Military financing taxes and borrows funds from the United States and spends the dollars elsewhere. Hundreds of billions are spent to support troops in Europe, South Korea, and Japan as well as forces occupying Iraq and Afghanistan. We have a deficit in exchanges with Europe, Japan, and South Korea before any "trade" takes place. Every gallon of fuel used for war, every air plane built for war, permanently removes from our economy all that went into its production.

On July 19, 2010, President Obama called on Congress to extend unemployment benefits and borrow if necessary to do so. The Senate Minority Leader and most of his party are against debt financing for this extension, but not against debt financing if necessary for funds to extend war or tax cuts for the wealthy.

The President has appointed a bipartisan commission to develop proposals for decreasing social security benefits, e.g., reducing future cost of living increases in income to those with less. This is an alternative to restoring taxes on the wealthy sufficient to repay the funds loaned from the social security trust so that benefits can be maintained. Here, too, placing a greater burden on those with less appears to the parties in power to be better than increasing taxes for those who benefitted so much from the recent history of increasing in inequality: of taking more from those with less to give more to those with more.

On July 23-25, 2010, there was a United National Peace Conference of people who want the United States to end the wars, bring home the troops, and invest the savings in human needs. Some attend because they were opposed to preventive war on principle; others because there appears to be something fundamentally wrong with the nation's priorities. I attended for both reasons.

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Footnotes

¹ US Census Bureau

From Table H-4.

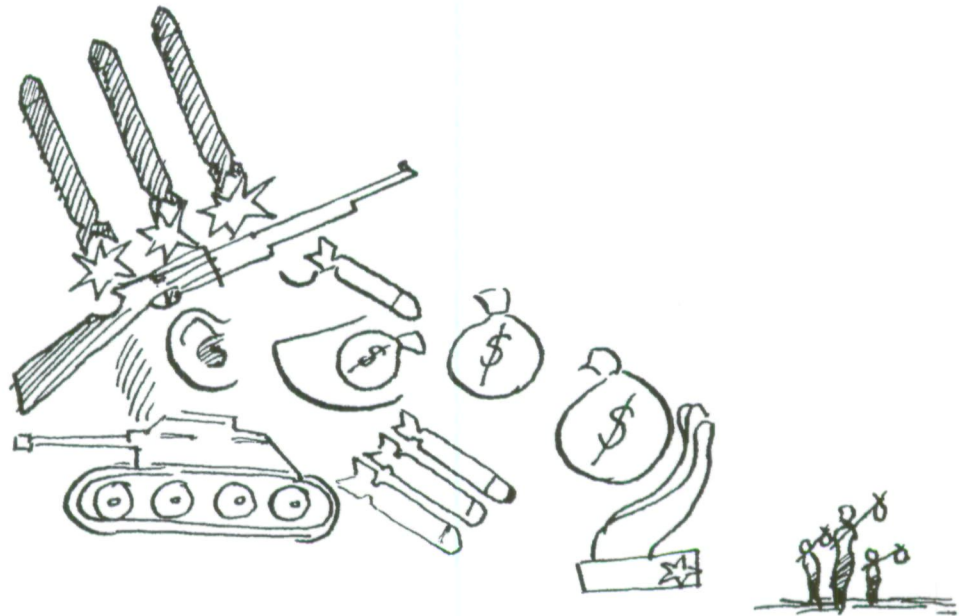
Gini Ratios for Households 1967 to 2008

<u>Year</u>	<u>Coefficient</u>
2008	0.466
2007	0.463
2006	0.470
2005	0.469
1998	0.456
1997	0.459
1996	0.455
1992	0.433
1991	0.428
1988	0.426
1982	0.412
1981	0.406
1980	0.403
1970	0.394
1969	0.391
1968	0.386

² "Wealth inequality was up slightly from 2001 to 2004 and again from 2004 to 2007, while the inequality of non-home wealth was up sharply from 2001 to 2004, with the share of top 1 percent increasing by 2.5 percentage points after a marked decline from 1998 to 2001, and it was up again a bit from 2004 to 2007. Income inequality actually fell from 2000 to 2003, but then rose sharply from 2003 to 2006, for a net increase over the six years (an increase of 0.12 Gini points). The number of households worth \$1,000,000 or more, \$5,000,000 or more, and especially \$10,000,000 or more surged during the 1990s and once again from 2001 to 2007. "The mean wealth of the top 1 percent jumped to \$18.5 million in 2007. The percentage increase in net worth (also that of non-home wealth and income) from 1983 to 2007 was much greater for the top wealth (and income) groups than for those lower in the distribution. Moreover, the average wealth of the poorest 40 percent declined by 63 percent between 1983 and 2007 and, by 2007, had fallen to only \$2,200. All in all, the greatest gains in wealth and income were enjoyed by the upper 20 percent, particularly the top 1 percent, of the respective distributions. Between 1983 and 2007, the top

1 percent received 35 percent of the total growth in net worth, 43 percent of the total growth in non-home wealth, and 44 percent of the total increase in income. The figures for the top 20 percent are 89 percent, 94 percent, and 87 percent, respectively.” Edward N. Wolff, “Recent Trends in Household Wealth in the United States: Rising Debt and the Middle-Class Squeeze—An Update to 2007”, *Levy Economics Institute of Bard College, Working Paper 589*, March 2010, p.35.

³ George Zeller, “Cuyahoga County Job Losses since 2002 Drastically Different in the City of Cleveland and in the Suburbs; \$4 Billion in Earnings Vanish in only Seven Years; 2007-2009 Recession Hits Suburbs Hard (annual)”. Go to www.georgezeller.com.



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