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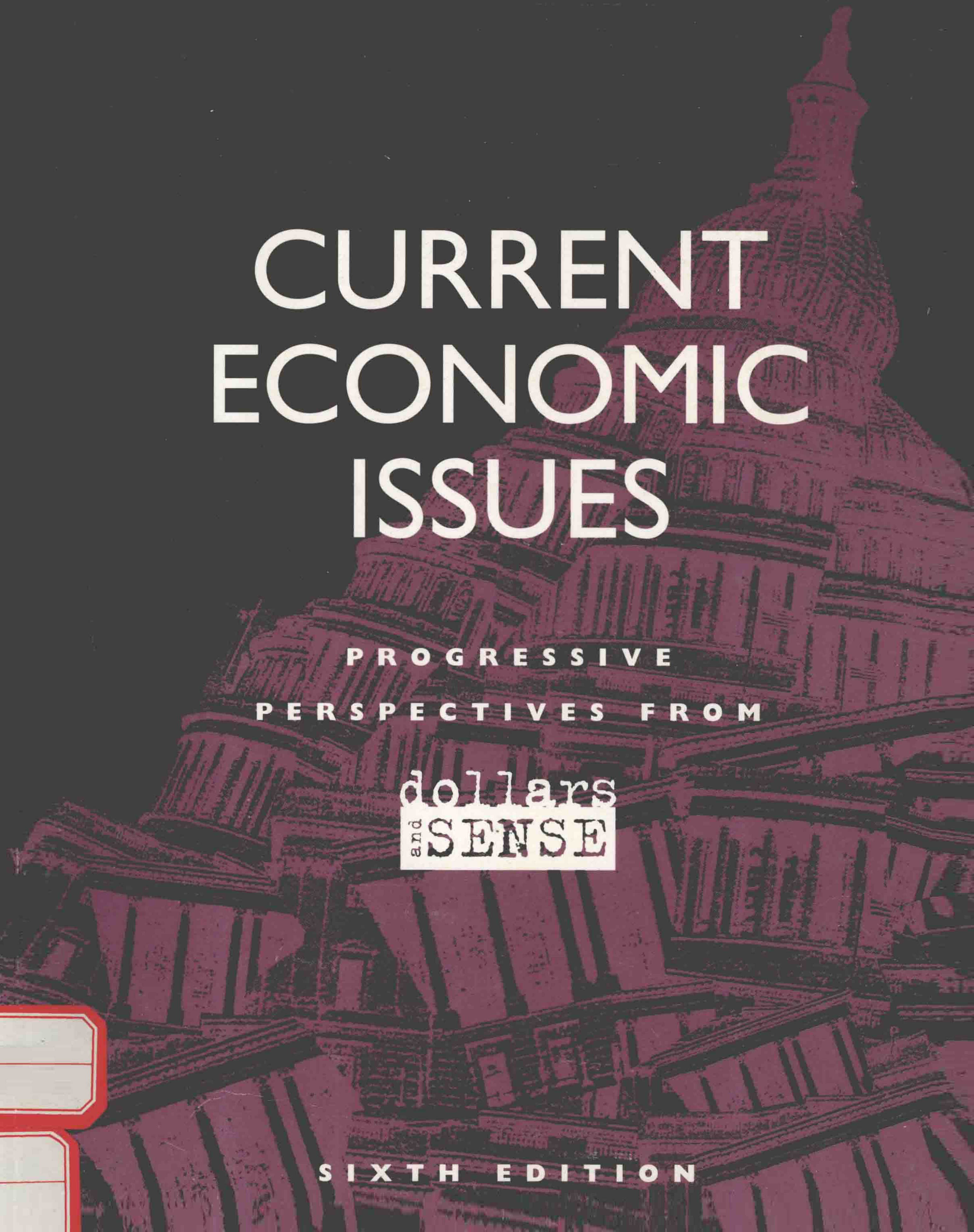

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Edited by Phineas Baxandall, Tami J. Friedman, Thad Williamson, and the *Dollars and Sense* Collective

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Edited by
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CHAPTER 1

Economic Growth and Inequality

ARTICLE 1

May/June 2000

ECONOMY SETS RECORDS FOR LONGEVITY AND INEQUALITY

BY JOHN MILLER

In the midst of the Great Depression, Random House published the first paperback, *Lost Horizon*. James Hilton's novel transported its readers from the economic hardships of 1933 to the valley of Shangri-La, a utopian community tucked away in the Himalayas, whose inhabitants lived in kindness and peace, free from economic hardship and seemingly without aging.

The ideologues of today's new economy have gone one step further than the Depression-era paperback writer. They have brought Shangri-La to us. "These are the best of economic times by any measure," exults Marc Zandi, chief economist at the Dismal Scientist, an economic consulting firm. "The economy is growing rapidly, inflation is nonexistent, unemployment is the lowest it ever has been and real median household income — probably the best measure of our standard of living — has never been higher."

In our new economy, "economic expansions don't die of old age," says Janet Yellen, former chair of President Clinton's Council of Economic Advisors.

But for many, today's buzz about the new economy is no more real than Hilton's story of Shangri-La. The new economy spreads its benefits widely but unevenly. Great gobs of wealth accumulate at the top, while only a thin layer of modest gains goes to most workers and still others miss out altogether, pushing economic inequality in the 1990s to a postwar high. Looking more closely, we will see that the new economy is far from a Shangri-La.

A RECORD BREAKING EXPANSION?

Today's economy is no doubt the strongest in several decades. Nonetheless, the macroeconomic performance of the last decade fails on most counts to measure up to the standards set by the economic boom of 1961 to 1969, the strongest period of economic growth of the old economy. In addition, during the earlier boom, a labor movement far stronger than today's — and a federal government that led a war on poverty — made for more equitable economic growth.

If length is all that matters, the 1990s expansion is the winner. It is now the longest boom, this spring outdistancing the 1960s expansion, the previous record holder (see Table 1). Since March 1991, the end of the last recession, the U.S. economy has grown continuously for 110 months, more than twice the postwar average of 50 months, and it is still growing. "That's an impressive achievement. The equivalent of a human living to be 100," says Nicholas Perna, an economic analyst based in Ridgefield, Connecticut.

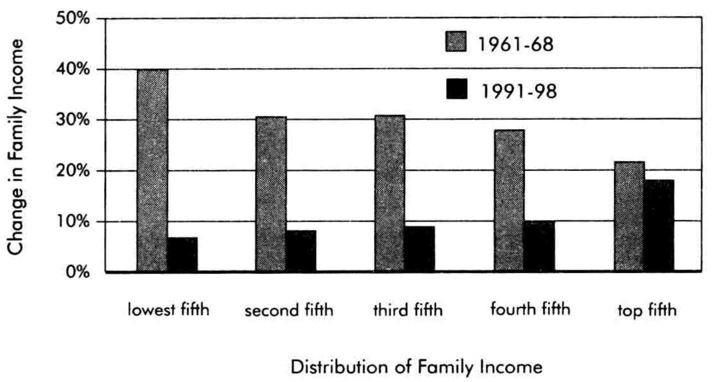
That long life has made a difference. After taking twice as long as most U.S. economic expansions to make up the ground the economy lost in the previous recession, the pace of economic growth picked up in the second half of the 1990s, lifting the average growth rate for the expansion to 3.3% (after correcting for inflation).

Still, even that mark falls well short of a record. The postwar *average* real growth rate during economic expansions is considerably higher, and the 1960s boom maintained a 4.8% growth rate for nearly a decade.

It is a similar story on the jobs front. Shedding its earlier label as a jobless recovery, the 1990s expansion created more than the two million jobs a year promised by the Clinton administration. But once again the 1960s boom did better, creating jobs more rapidly.

The 1990s job growth did push down unemployment rates to levels not seen since the 1960s boom. The unemployment rate fell to 4% at the beginning of this year, well below levels that many traditional economists called full employment at the beginning of the decade. But unemployment rates during the 1960s fell further and to lower levels, reaching a low of 3.5% in 1969. But when it comes to price stability, the 1990s economy beats the 1960s boom. As the 1960s economy heated up and spending on the Vietnam War escalated, inflation rates picked up, increasing from 0.7% in 1961 to 6.2% in 1969. In the 1990s, prices have remained stable as unemployment rates have dropped. Inflation rates today are no higher than those at the beginning of the expansion, some nine years ago. That is new.

CHANGE IN REAL FAMILY INCOME
1960s vs. 1990s



Source: Changes in family income in 1998 dollars for the upper limit of the lowest, second, third and fourth quintile, and the lower limit of the top 5% of families by income. Annual data from U.S. Census Bureau.

The conventional wisdom about the new economy is that computer-driven productivity gains have made it possible to have both tight labor markets and price stability by reducing labor costs. But even with the boost in computer technology, productivity gains in the 1990s averaged just 2% a year while the 1960s gains were 3% each year. And despite all the hoopla about a new technological revolution, most traditional economists are not willing to say that the uptick in productivity gains will be sustained.

Trends other than computerization offer a more reliable explanation for this newfound price stability in the face of tightening labor markets: modest wage demands at home and misfortune abroad. Corporate downsizing and layoffs from mergers have continued even as the economy has boomed, keeping workers anxious and their wage demands in check. While workers' real wages and purchasing power improved, after declining in the 1980s, wage gains during the 1990s were indeed modest, especially when compared to the 1960s. From 1991 to 1999, the real hourly wages of nonsupervisory workers rose just 5.6%. In the last few years, wage gains have picked up and have been spread more broadly as labor markets have tightened and following a hike in the minimum wage. Still, it took until 1998 for the expansion to add back the purchasing power workers lost in the relatively mild recession at the beginning of the decade.

The 1960s expansion added nearly three times as much to workers' purchasing power. And by 1969, workers' real wages were higher than today, some 30 years later.

Just as wage levels exerted little upward pressure on prices, falling currency values in countries hard hit by the economic crisis in East Asia helped to keep prices down in the United States. At the same time, foreign investors fleeing financial instability elsewhere poured billions into the soaring U.S. stock market and government bonds, effectively lending money to the U.S. expansion. In pushing up the value of the dollar, they also reduced the cost of imported goods for U.S. consumers.

Beyond price stability, the hallmark of the current expansion surely has been its rip-roaring stock market (see Table 2). Far smaller stock market gains for investors in the 1960s had the virtue of not being so different from workers' wage gains. No such equality exists today. In the last decade, as Doug Henwood, publisher of the *Left Business Observer*, points out, stock market gains for investors were nearly 40 times the wage gains of workers. According to the editors of the *Wall Street Journal*, however, there is no need to worry. We live in the era of the "worker capitalist." More U.S. households than ever before own stock, and as a result, "the 1990s have benefited just about everyone."

True enough; according to the Federal Reserve Board's latest Survey of Consumer Finances, in 1998 some 48% of U.S. families, the highest number ever, owned stock directly or indirectly through mutual funds or 401(k) retirement plans. Still, stock ownership remains highly concentrated. Fewer than one in 10 families with an income under $10,000 owned stock, while nine of every ten families with incomes above $100,000 owned stock. As a result, the stock market boom has doled out its gains in a stunningly unequal fashion.

From 1989 to 1998, the net worth (total assets minus debt) of the median family increased about 20%, only about one-tenth of the added value in the stock market.

TABLE 1
MACROECONOMIC PERFORMANCE
1960s vs. 1990s

	1961-69	1991-99
Average Annual Real Growth Rate	4.8%	3.3%
Length of Expansion	106 months	110 months
Average Annual Productivity Gain	3.07%	2.05%

Sources: Average annual real growth rate calculated from quarterly changes in Gross Domestic Product in 1996 dollars from 1961(I) to 1969(IV) and from 1991(I) to 1999(IV), data from the Bureau of Economic Analysis. Length of the expansion taken from the National Bureau of Economic Research. Average annual productivity gain calculated as annual changes in output per hour of all persons for the nonfarm business sector taken from the *Economic Report of the President.*

The net worth of the median family — those headed by someone under 54 most likely to have children at home — actually declined. So too did the net worth of the median family without a college degree. At the same time, the share of net worth of the richest fifth of families rose from 83.5% in 1989 to 84.5% in 1998, adding to economic inequality, not reducing it.

All told, then, the new economy may have outlived the longest expansion of the old economy, the 1960s boom. But on most counts its macroeconomic performance falls short — far short in some cases — of that of the older boom. The two exceptions are price stability, which is purchased in large part by suppressing workers' wages, and a booming stock market that continues to shower the great bulk of its gains on the well-to-do.

HOW MANY BOATS DID THE RISING TIDE LIFT?

Much like John F. Kennedy in the beginning of the 1960s, the new economy boosters also promise that the economic rising tide will lift all boats. Let's perform three experiments to test just how many boats the 1990s expansion lifted and how far and how evenly it lifted them when compared to the 1960s expansion.

Our first test looks at the real income of the median family. Corrected for inflation, the income of the family in the middle of the distribution of income is at an all-time high. By 1998, the real income or purchasing power of the median household had risen 8.7%, or roughly 1% a year, since the expansion began in 1991. But if you factor in the ground lost during the previous recession, 1998 real income was just 2.3% higher than in 1989, the peak of the previous business cycle.

That is a far cry from prosperity, especially when compared to the gains in real income for the median family during the 1960s expansion. Corrected for inflation, the income of the median family grew 29.8%, or nearly 4% each year, from 1961 to 1968 and even more, some 33.6%, from the peak of the previous business cycle in 1959 (see Table 3).

A second experiment, looking at the effect of the 1990s boom on poverty rates, reveals once again that the new economy claims of widespread benefits are overblown. Measured poverty rates are down. In 1998, the poverty rate was 12.7%, the lowest rate in two decades.

That is something to celebrate, but not for very long. Poverty rates were lower throughout the 1970s. Compared to the 1993 high of 15.2%, the current rate seems to have made progress, but not when compared to the rate at the peak of the last expansion in 1989 — 12.8%. That was also the low achieved in the 1960s boom.

To take the true measure of how widely the new economy has spread its benefits, our third experiment examines how the real income of five families stationed at different points across the distribution of income changed during the 1990s expansion. If we look from the conservatives' favorite starting point, 1991, the 1990s expansion lifted all five boats arrayed across the distribution of income from the 20th percentile to the 95th percentile. But considering that 1991 was the bottom of the recession, most boats really did not rise very far. Real income gains were hardly more than 1% a year for all but the richest, and the poorest families got the smallest gains.

If we take one step back and measure improvement from 1989, we get a better sense of how little progress

TABLE 2
CHANGE DURING THE EXPANSION

	1961-69	1991-99
Real Stock Values	+20.1%	+203.5%
Unemployment Rate	-47.8%	-37.9%
Inflation Rate	+785.7%	-16.1%
Civilian Employment	+18.5%	+13.9%
Real Hourly Wages	+15.9%	+5.5%

Sources: Real stock values measured as the Standard and Poors composite index in 1996 dollars. Inflation rates measured as changes in the Consumer Price Index. Civilian employment is in millions of workers and real hourly wages are calculated in 1982 dollars. All data is annual and from the *Economic Report of the President.*

most families made during the 1990s. The real income of each of the five families increased, but those gains are miniscule in the middle and the bottom and sizable only for those at the top.

Take another step back to 1979, the year before conservative economic policies took hold, and the rising economic tide no longer lifts all boats, let alone brings prosperity to the majority of families. The poorest of our five families lost real income since then, and only the real income of families in the top 20% increased as much as 1% each year.

The old 1960s boom comes far closer to living up to the new economy rhetoric. From 1961 to 1968 the poorest of the five families saw the biggest gains, just about a 40% jump in real income. The richest of the five families saw the smallest relative gain. And the real income gains for all five representative families were greater in the 1960s than in the 1990s, and more than three times larger for all but the richest family.

In addition, some families missed out entirely during the 1990s boom. In New England, California, and New York, economies with large service sectors, households at the bottom lost ground as the well-to-do in their states made out during the 1990s. *Pulling Apart*, a recent joint report of the Center on Budget and Policy Priorities and the Economic Policy Institute, documents this worsening inequality. In 11 states, the incomes of families in the poorest fifth of the population dropped by more than 10% during the decade

By 1998, economic inequality in the United States was at its worst since the Great Depression. The richest fifth of households now receive nearly one-half of the nation's income. While economic inequalities in 1968 were pronounced, they were moderate by today's standards, and in that decade economic growth lessened economic inequality instead of adding to it.

TABLE 3
REAL FAMILY INCOME AND POVERTY RATES

	Real Median Family Income	Poverty Rates
1961	$29,763	21.90%
1968	$37,321	12.80%
1961-68	+29.8%	-41.6%
1989	$44,090	12.80%
1991	$43,011	14.20%
1998	$46,737	12.70%
1991-98	+8.7%	-10.70%
1989-98	+6.0%	-0.70%

Sources: Real median family income is calculated in 1998 dollars. Family income and poverty rates are from the Bureau of the Census.

CLINTON'S PACT WITH THE DEVIL

Economic growth is more inequitable today than in the 1960s also because corporations have captured the public policy agenda. During the 1960s boom, roughly one in four U.S. workers were members of labor unions, about twice today's figure, and workers' bargaining power, while already on the decline, was much greater than today. And in that earlier period, stronger labor and social movements pushed the federal government to undertake programs that mitigated the worsening inequality that comes with rapid economic growth.

The expanding welfare state of the 1960s helped to lift dinghies along with the yachts. While no panacea, what that spending accomplished was Herculean by today's standards. In 1964 the Johnson administration launched a "national war on poverty" that enacted Medicaid (medical care for the poor), Medicare (medical care for the elderly), and expanded Social Security coverage to most workers. It also put in place new programs targeted at particular needs: food stamps, aid to schools in deserted areas, and low-income housing subsidies, among others. All told, these programs, along with increased military outlays, pushed up federal spending from 18% of Gross Domestic Product (GDP) to 21% of GDP.

You might have expected a similar effort from the Clinton administration. After all, as a presidential candidate Bill Clinton promised to "Put People First" and just last year he selected FDR, the architect of the U.S. welfare state, as his man of the century. But New Democrat Clinton turned his back on the old agenda and instead instituted a program of budget austerity not so different from the one favored by his presidential rival Ross Perot.

Even conservatives noticed. "The good news of the Clinton presidency," says Stephen Moore of the Cato Institute, the think-tank championing free enterprise, is that "the federal government is getting smaller, at least relative to the size of the economy." This year, for the first time in more than 25 years, federal spending slipped below 20% of GDP. While post-Cold War defense cutbacks contributed to the trend, domestic spending is shrinking relative to private output. Federal government investment in physical capital, education and training, and research and development has already dropped from 2.6% to 1.6% of GDP in the past two decades.

Clinton now brags of having run the first back-to-back budget surpluses in forty years. But those who would have benefited from the federal spending eliminated by his austerity budgets are paying the cost. In return for Clinton's fiscal discipline, Fed chief Alan Greenspan loosened his grip on the money supply and accepted lowered interest rates for a time.

Nonetheless Greenspan will not look the other way should tighter labor markets embolden workers "to start pounding the table for higher wages," as economist John R. Stanke, CEO of Chicago-based International Survey Research, fears they will this year. Rising wages and labor costs could eat into corporate profit margins or ignite a pickup in inflation that would erode the real returns on the financial markets of the well-to-do. In either event, the Fed is likely to sharply tighten the money supply in an attempt to keep labor costs in check, risking an end to the expansion.

MORE LIKE THE 1920S THAN THE 1960S

The new economy — driven forward by a galloping stock market, fast-paced technological change, reckless private borrowing, and gaping inequality — is more like the economy of the roaring 1920s than the 1960s boom.

The increased concentration of wealth in the hands of a few threatens the stability of the new economy much as it did in the 1920s. Those monies, along with a borrowing binge, have pushed stock and other asset prices to historically unprecedented levels compared to corporate profits and economic growth. The economy is also saddled with unsustainable levels of corporate, consumer, and foreign indebtedness as well as a worsening trade deficit. At some point these mounting problems will cut short the new economy's experiment with suspending the economic aging process.

Just when that will happen no one knows. But even Alan Greenspan is worried. Ever since his 1997 warning that an "irrational exuberance" was driving up stock prices, Greenspan has repeatedly tried to jawbone the stock market back to reality. He was hard at it again this January, telling the Economic Club of New York that today's market could be another of history's "euphoric speculative bubbles."

Should that come to pass, we will be reading far fewer paeans to the new economy and more utopian fantasies about a valley of prosperity where people live in peace and free of want.

UNNECESSARY EVIL

WHY INEQUALITY IS BAD FOR BUSINESS

BY RANDY ALBELDA AND CHRIS TILLY

For the last 50 years, two important economic arguments have staved off discussions of equality in income distribution. The first is that growth matters more than anything else. Equity will follow growth, the thinking goes, so there is little reason to worry about it. The second prevailing argument says something quite different: that growth and more efficient production come at the expense of equity. The liberal Keynesian economist Arthur Okun popularized this argument in the 1970s with his influential book *Equality and Efficiency: The Big Tradeoff.* It was later appropriated by conservatives seeking to blame a stagnant economy on excessive social spending.

Yet more recent research indicates a positive connection — not a tradeoff — between equity and growth. The 1994 book *Paying for Inequality: The Economic Cost of Social Injustice*, published by the Institute for Public Policy Research in London, reveals that industrial and developing countries which have more income equality also have higher growth rates. And there are important economic reasons to believe that income equality played a significant role in setting those countries on the path toward stable growth.

In spite of the many dangers it poses, inequality is growing. In the United States, the richest 20% received just under eight times as much income as the poorest 20% of the population in 1970. By 1999, the richest 20% got nearly 14 times as much as the poorest 20%.

The policy implications could not be clearer, and they call into question the logic of the Republican economic program. Tax cuts for the wealthy, social spending cuts for the poor, and building prisons instead of child care centers will likely impede economic growth rather than promote it. Policies that increase the disparity between the well-to-do and the dispossessed won't just hurt the obvious victims. Everyone — at least in the medium and long term — will be better off if economic resources are distributed more fairly.

TWO BIG IDEAS

Conventional economic views of income distribution have largely been shaped by two big ideas: Economist Simon Kuznets' notion that inequality first increases, then decreases as economies develop; and Arthur Okun's formulation of the equity/efficiency tradeoff.

In 1955, Kuznets set the stage for post-World War II discussions of income distribution in his American Economic Association presidential address, "Economic Growth and Income Inequality." He argued that as countries develop, populations move from a low-income agricultural sector to a higher-income industrial sector. Incomes are relatively equal in the early stage, when almost everybody is concentrated in agriculture, and in the late stage, when virtually all work in industry. Inequality peaks in between, when the workforce is equally divided between the two sectors.

For mature industrial economies, Kuznets' proposition counsels focusing on growth, assuming that equity will accompany it. In developing countries, it calls for enduring current inequality for the sake of future equity and prosperity. In both cases, income distribution is merely a corollary to growth.

Kuznets' disciples have clearly neglected to recognize that short-term inequality matters in itself, but they also make the unfounded assumption that growth always brings equity. Southeast Asia provides dramatic examples of the unsteady relationship between fast growth and income equality.

Twenty years after Kuznets' address, Arthur Okun took the discussion in a different direction, suggesting that, as far as government redistribution policies were concerned, equity is not a corollary to growth, but an alternative to it. Okun posited a "big tradeoff": redistributive equity comes at the expense of efficiency, largely because income redistribution reduces the incentives for work and investment.

Good liberal that he was, Okun argued for the "humane" side of the trade-off. But others used Okun's idea to justify the United States' meager social welfare spending compared with levels in other industrialized nations. His theory was also invoked to rationalize a growing concentration of wealth in the United States.

Okun warned that the almost continuous growth that the United States had enjoyed in the postwar period was coming to an end. In short order, conservative economists and scholars in other disciplines claimed that the negative effects on growth outweighed the benefits of income redistribution. By reducing the incentive to work, they argued, welfare and other transfer programs created economic stagnation and poverty.

Revitalizing 80-year-old mainstream economic theory, such conservatives maintain that stimulating growth requires increased investment, which requires more savings, which in turn requires greater concentration of wealth. By the mid-1980s, most economists agreed that the key problem facing the U.S. economy was stagnant growth, not rising inequality. Rapid growth will create a larger economic pie for all to share; "A rising tide will lift all boats," they said. And policies which would make the wealthy wealthier in an attempt to create jobs still hold sway with the public.

THAT WAS THEN, THIS IS NOW

From 1950 through the early 1970s, the high rates of growth and relative equality in the United States and other industrialized nations suited the claim that growth lessens inequality. But the evidence could also conform to Okun's idea that equalization comes with a cost in growth; the period might have been prosperous enough to absorb the drag of rising equality without losing momentum.

Today, however, there are fewer and fewer economic reasons to buy the tradeoff theory, or to assume that strong growth will engender more equality. During the 1980s and 1990s, inequality has risen during economic expansions as well as contractions. The lesson is simple: The relationship of growth to distribution is neither a tradeoff nor an automatic cause-and-effect. It depends on the institutional and political environment.

The absence of a tradeoff is conspicuous if we compare the United States with other nations. International data indicate that those countries with the most income equality have been the very same ones with high productivity gains (see figure). Countries with the highest labor productivity growth rates, such as Japan, Germany, Norway, France, Belgium and Sweden, also have considerably less inequality (as measured by the ratio of income of the richest 20% of the population to the poorest 20%). Countries with slower growth, such as New Zealand, Australia, Switzerland and the United States, had relatively high levels of inequality. This relationship was confirmed in a study published in the 1994 *American Economic Review* by Torsten Persson and Guido Tabellini. These authors examined growth in Gross Domestic Product (GDP) per person and income distribution in 56 countries, and they discovered a similar link between inequality and slow growth.

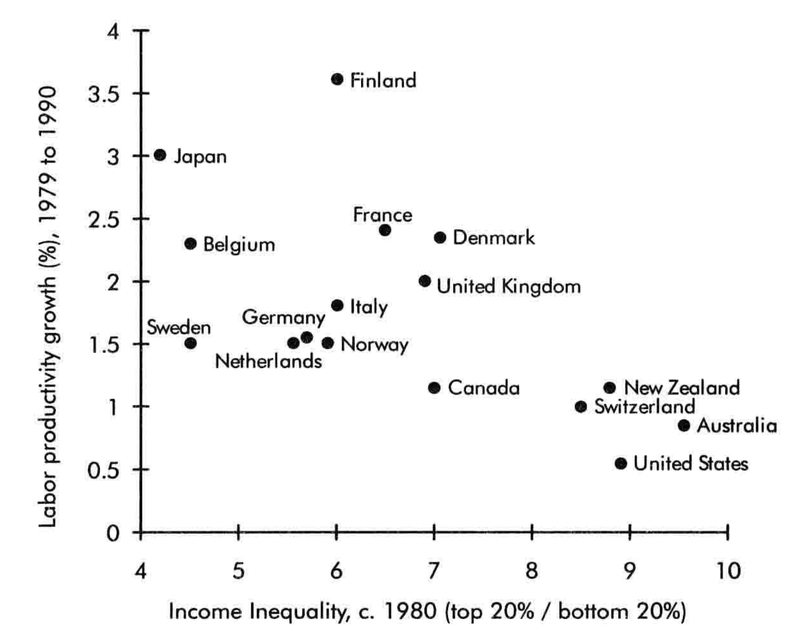
Even within the United States, cities with high levels of urban/suburban inequality have poorer growth rates than cities with milder income disparities. Urban economist Larry Ledebur looked at the income and employment growth in 85 U.S. cities and their neighboring suburbs. He found that in cities where the income gap between those in the suburbs and those in the city was largest, income growth for all was slower. In cities with more equality, job growth and income growth were stronger.

NO MORE RIPOFF

How do we know that the correlation between growth and equity stems from the positive effects of equity on growth, rather than the other way around?

In the 1930s, John Maynard Keynes addressed this question by looking at the role of consumption and demand in a capitalist economy. For Keynes, the level of people's incomes, along with expectations about the economy, determined the economy's overall output. The higher the level of income, the more goods and services people will buy. Greater income equality then leads to greater demand, since low-income families tend to spend a larger proportion of their money than rich people do.

LOW INEQUALITY YIELDS HIGH PRODUCTIVITY GAINS



Sources: World Bank & OECD, in *Paying for Inequality*.

In addition, inequality generates political problems that have economic consequences. A society in which the "have-nots" are not deeply deprived compared to the "haves" will likely have greater social cohesion, which typically allows for more stable political and economic structures. Economists Persson and Tabellini offered such an explanation for their findings, suggesting that the social and political conflict that often accompanies income inequality prompts government policies that can cramp growth. Ledebur, too, argues that poverty generates fiscal instability in cities, which does little to promote investment anywhere.

In the United States, anxiety about an economy that creates mostly low-paying jobs has fueled the electorate's willingness to blame immigrants, petty criminals, and welfare recipients for all their ills. The swing to the right in the political spectrum is inducing all sorts of bad economic policy, such as cutting taxes and slashing social spending. Furthermore, punitive policies targeted at the poorest simply write off some of our most under-utilized human resources, rather than putting them to work and improving both output and productivity.

EVERYONE — AT LEAST IN THE MEDIUM AND LONG TERM — WILL BE BETTER OFF IF ECONOMIC RESOURCES ARE DISTRIBUTED MORE FAIRLY.

Pursuing equality will have high dollar costs if the country is indeed going to provide a baseline of support for the welfare, health care, education and training of its populace. While the cost of social programs has been emphasized, what has typically been ignored in economic policy debates is that inequality has even higher costs, such as the expenses of protecting private property and enforcing the law. As the rich have more to protect and the poor have less to lose and fewer promises of a better future through hard work, crime goes up.

But just imagine the boost in productivity that might occur if the money spent both privately and publicly to hire additional security and police were spent to hire child care workers. Not only could more parents enter the labor force, but access to improved early childhood education would give many children a better chance of succeeding later in school and in the labor market. The savings to the educational system and the benefits of a more qualified labor force far outstrip the cost of providing early childhood care. Similarly, the growing prison population represents a monumental loss of valuable resources and at the same time exacts enormous costs for keeping people locked up.

Highly unequal societies such as the United States and the United Kingdom are paying a heavy price for lost productivity due to reduced access to health care, training and higher education. *Paying for Inequality* documents many of these costs. For example, one recent study of industrialized countries in the 1980s found a strong positive correlation between the average life expectancy of men and women and the percent of income held by the least affluent 70% of the population.

GETTING TO EQUITY

Regardless of the moral imperative toward equality or the empirical relationship between growth and equity, those with the greatest economic power are not going to give up their income without a fight. Redistribution will necessarily mean that the richest will lose some income — at least in the short run.

Though the rich make formidable opponents in U.S. politics, there are plenty of historical precedents that are cause for optimism. Since the 1930s, political movements setting equality as their goal have met with some success: New Deal Democrats in the United States and social democrats elsewhere; popular movements such as the civil rights and women's movements; movements in the Third World for independence and for parity with the industrialized nations. Inequality decreased along many lines during the early postwar decades.

Whenever demands for greater equality are raised, we can expect conservatives (and many liberals) to dust off the "tradeoff" and tell us that reducing income disparities would mean sacrificing growth. But the evidence is building that it's no tradeoff, it's a ripoff. Anti-poor social policies and anti-labor economic strategies in the United States are sacrificing both growth and equality. Striving for a more equal society is not just a moral imperative, but an economic one.

Resources: Andrew Glyn and David Miliband, *Paying for Inequality: The Economic Cost of Social Injustice* (Institute for Public Policy Research, 1994); Marc Miringoff and Marque-Luisa Miringoff, *The Social Health of the Nation: How America Is Really Doing* (Oxford University Press, 1999).