

# Ninety-nine percent solution

Professor Joseph Stiglitz, author and Nobel Prize winner in economics, is pleased to see that his latest book 'The Price of Inequality' is already grabbing the attention of world leaders.

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CONTRIBUTING COLUMNIST

The work of Joseph Stiglitz, a professor at Columbia University in New York and former chief economist for the World Bank, is recognized worldwide. He has written a long string of books,

JOSEPH E. STIGLITZ  
WINNER OF THE NOBEL PRIZE IN ECONOMICS

THE PRICE OF  
INEQUALITY

HOW TODAY'S DIVIDED SOCIETY  
ENDANGERS OUR FUTURE

numerous papers and a wide variety of essays and articles, many focusing on equilibrium in the world. In 2001, he shared a Nobel Prize in Economics for his work on the effect of unbalanced information amongst market players.

Essentially, he showed

that in a transaction people with more information about something will benefit over those with less.

In his new book, he looks at wealthier people and lays out a case that they are wrong when they think they are protected from the effects of inequality. Moreover, they have are having an impact on society that wrenches it from its moral moorings — a move that threatens their world as much as everyone else's.

"The evidence from history and from around the modern world is unequivocal," he writes. "There comes a point when inequality spirals into economic dysfunction for the whole society, and when it does, even the rich pay a steep price."

Inequality has been around for centuries. But the stark vision of the huge gap that exists today has shocked the world. In the United States, Stiglitz said in an interview in July, "20 percent of all income has gone to the top 1 percent. Data for the U.S. showed dramatically that the wealth of the typical American was wiped out. For two decades most Americans have seen no increase in their well being — all the increase has gone to the top."

The Occupy Movement adopted the phrase "the 99 percent" to identify everyone including the middle class as suffering while the top one 1 percent grab more and more of the economic pie.

"The argument in the book is helping the 99 percent to find out what can be done at the same time that it helps the 1 percent see that it won't work for them," Stiglitz says.

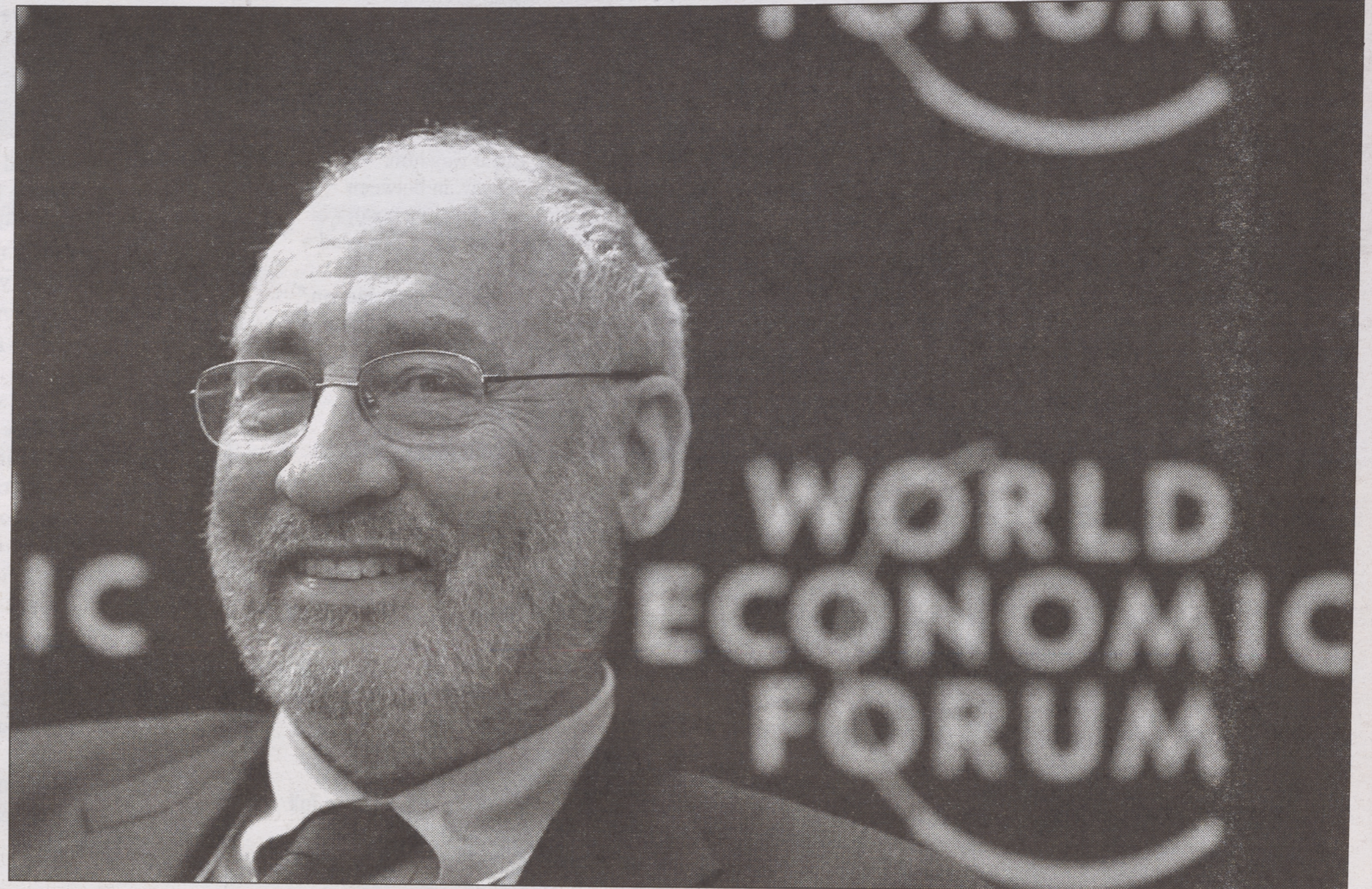


PHOTO: REUTERS/ARND WIEGMANN

In "The Price of Inequality," Stiglitz stacks fact after fact, study after study and pages of footnotes in an unassailable indictment of the governments and policymakers who have let this happen. And he says this threatens destabilization of the world's leading economy, with an accompanying ripple effect. "As our economic system is seen to fail for most citizens, and as our political system seems to be captured by moneyed interests, confidence in our democracy and in our market economy will erode along with our global influence."

It is both scary and sad reading, the sort of fact-based narrative that evokes rage and a sickening feeling in one's belly. Stiglitz has a gift for making complex economic matters much easier to grasp than the daily flow of information through social and traditional media. Taking the 30,000-foot view, coupled with a staggering depth of statistical support, he paints an image that is already getting the attention of policy makers just weeks after the book's publication.

Inequality has risen like a 1,000-year wave on everyone's radar. Indeed, a special report on it in New Scientist on July 30 echoes Stiglitz's timely concern, looking at some of the science involved in inequality, even showing its effect on our health and well-being. "The policy implications seem obvious, if politically contentious," New Scientist says. "A more even distribution of wealth would improve health on national and global scales. But that appears unlikely to happen without a radical shift in western culture; in recent times governments of all political persuasions have presided over growing inequality."

Just what Stiglitz points out in his book, which keeps a laser focus on what is happening in the United States: "I believe it is still not too late for this country to change course, and to recover the fundamental principles of fairness and opportunity on

which it was founded" he writes. But, he cautions: "time is running out."

Some of Stiglitz's past books, especially on globalization, are worldwide teaching aids today. Asked whether he believes his 2012 call for action by Americans on inequality is having an effect, he replied: "I think I have reached many audiences. Among the foremost are those in economic policy-making, who are thinking about where the society is going. Then there are people who I would call the progressives in society and who want to know what solutions there may be. I think I have reached those two groups, particularly the second — rallying the ones who have a sense that the society is unfair and unequal."

**"The hope is that people will rise up, seeing that inequality is so strongly in place. If you look at the historical situation you can see action is required."**

— JOSEPH STIGLITZ  
ECONOMIST, AUTHOR

"A third group, and I think I reach that group, is the people who are uncommitted voters — not sure what is wrong and what to do. They are trying to assess the arguments. I think I reached that group. That is becoming much more the centrist position — that inequality is bad for society and bad, too, for the economy."

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Coming as it does in an election year for the United States, Stiglitz's warning about inequality and its erosive effect sets a special focus for leading American politicians who have fired up both the rightwing Tea Party and the Left — each of which, for different reasons, criticize the political lack of action on jobs, housing and the out-sized wealth of the top 1 percent. But it does more than anger people.

"One of the things that disturb me is that the disillusionment people have with the current situation leads to having a variety of interpretations," Stiglitz says. "Just like in Europe, there is movement to extreme groups, both on the left and the right."

"The Tea Party movement is in some

sense a reaction to the failure of the establishment. While the analysis is right, they are wrong in the diagnosis: 'The government saved the bankers; therefore the government can't be trusted.' But they miss the point; it is an incoherent reaction to the failures." Government can and does help people through national health programs, infrastructure support and in many other ways, he notes. What needs to happen is that people must act to change the way government operates, not try to obliterate it.

"What we are seeing is a sense of anger at the way the system works. Very large sections of the populace feel it is unfair. There is a real concern about the disillusionment. There is a sense that people are suffering disempowerment. They think the system is rigged and they can't change it."

That simply is not the case, says Stiglitz. "The book tries to isolate what I would call the 'right corporatists.' This is the establishment's right center, the bankers and others, who don't really believe they are wrong, who are happy to get the bailouts and tax preferences." But, Stiglitz warns: "There is a lot more in common between right and left and progressives than they realize."

"One theme of the book is that there is a nexus between politics and economics and we have gone down the road to allow the 1 percent to gain more control. We have to break into that vicious circle," he continued. "It is still the case that the 99 percent are the majority. There are two ways change will occur. One, the 99 percent will realize they have been sold a bill of goods, and two, the 1 percent will come to understand that their argument is not true (that they deserve what they get and that righting the imbalance will have a negative impact on society).

"The hope is that people will rise up, seeing that inequality is so strongly in place," Stiglitz said. "There is no guarantee, but I think if you look at the historical situation you can see action is required."

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