

# Book Review: *UNBOUND: How Inequality Constricts Our Economy and What We Can Do About It*

By: Heather Boushey

I must admit I was a bit hesitant when asked to do a book review for the *eJournal of Public Affairs*. It has been, what, four plus decades since I was asked to do a book review, and I still have that recurring nightmare of having to take a college final for a class I'd never taken, and feared it might trigger more of those. But...it was for a Public Affairs Mission that I'm deeply committed to and grateful for at Missouri State University, and it gives me a chance to share some information about a subject I thoroughly enjoy---economics---and rarely get an opportunity to discuss.

I was asked specifically to provide the review on a book I've recommended to many others, including the guest editor of the *eJournal*, and my friend and colleague, Greg Burris. The book is authored by Heather Boushey. Dr. Boushey is the Executive Director and Chief Economist at the Washington Center for Equitable Growth, and a former economist for the United States Congress Joint Economic Committee. Her book joins several others written in the past few years addressing economic inequality, from Oren Cass' "The Once and Future Worker," Isabel Sawhill's "The Forgotten Americans," to Thomas Piketty's "Capitalism in the 21<sup>st</sup> Century." Even billionaire hedge fund founder of Bridgewater Associates Ray Dalio has called income inequality the biggest issue of our time, yet it received little discussion in the latest election. The topic certainly ties into the notion of "community ownership", and who really is the community.... just certain segments who happen to have the wealth and power, or is it indeed everyone who should have access to "life, liberty, and the pursuit of happiness?" In this year of the pandemic and election, certainly those topics have overshadowed income inequality, but both are tremendously impacted by it. Those falling into the lower income quartiles have been disproportionately impacted by both the health and economic jolts caused by the pandemic, and the anger and bitterness during the campaign was largely fomented by the feeling of being "left behind" by so many still recovering from the last economic downturn.

To use the oft-quoted Mark Twain line, "there are lies, damn lies, and statistics." Numerical facts, however, are a good place to start...and the numbers are irrefutable in how our economy has changed in the past 50 years. From 1963 to 1979, Gross Domestic Product (the most widely used measure of economic growth), increased at an annual clip of about 1.7%. "Distribution"—the economic term for who gets what is produced, roughly followed that same pattern. In other words, family income grew roughly in proportion to overall economic growth. Since that time, Boushey points out, that pattern changed significantly. From 1980 to 2016, roughly 90% of households had income growth rate that fell below the overall growth rate of the economy. The bottom 40% of income earners averaged wage increases of just .3% annually. Adjusted for inflation, that means average household income grew from \$26,400 to \$29,800 in the past four decades for that group. It's even worse depending on race and ethnicity. Today, 30% of white households make over \$100,000 annually, compared to just 16% of Black-led households.

We've heard much of the "Gilded Age" of *The Great Gatsby* fame in the Roaring 20s. During the beginning of that decade, the top 1% held 51% of our country's wealth. That chapter didn't end so well, with the Great Depression ushering out that decade. By 1978, that ratio had fallen to just 23% of all wealth...a much more equitable distribution. Although we're down from the second peak in this century's first decade...which ended with the Great Recession, I might add...we're still at 42% of all wealth being held by the top 1%. The author points out that corporate and tax policy has been a contributor to the disparity over the years. In the mid-70s, Fortune 500 CEO's made about twenty-five times that of the average employee of their respective company. Today, it is 270 times. Income mobility has likewise suffered along with wealth disparity. Stanford Economist Raj Chetty's research shows for those born in 1940, nine out of ten ended up making more than their parents. By 1980, only one-half did better. The trend has continued to decline since then.

Dr. Boushey places part of the blame on supply-side economics first adopted in public-policy during the Reagan years. The theory promotes tax cuts, and posits that the tax cuts, in turn, will produce more spending, and therefore, overall tax dollars in the long-run because of it, and, therefore, more economic growth. (We have seen more recently the failed experiment in our neighbor, Kansas, where the Republican-led legislature finally overturned their Governor's veto and raised taxes after the disastrous impact on education and other services decimated by lower revenues caused by earlier tax cuts). The author points out that there are very different spending habits depending on income levels. Lower-income households spend a much higher percentage of their income just to meet day-to-day demands of living. Former chair of the Council of Economic Advisors Alan Krueger's research showed that about \$1.1 trillion in income had been shifted to the wealthy between 1979 and 2007. Because of the spending habits of households, "had that \$1.1 trillion gone to the bottom 99 percent instead of the top 1% of Americans...aggregate consumption would have been 5 percent higher each year. That adds up to about \$480 billion in lost economic gains annually...these calculations make clear that the economy would be in better shape and aggregate demand would be stronger if the size of the middle-class had not dwindled as a result of rising inequality." We have seen a similar pattern during this pandemic as savings has risen among middle-and-upper income households since March, while lower income families are in a crisis situation.

The evidence in "UNBOUND" is clear: the rising income inequality has harmed our overall economy and population. How to "fix" it isn't simple, however. The author cites the importance of early childhood education as one of the best public investments. A Duke University study showed that reading scores at age seven in the lower quartile made, on average, 26% less than those in the highest quartile by adulthood. She advocates for Universal pre-K, and cites a study that "It would take just eight years for the total annual benefits of such a program to exceed the costs, and within thirty-five years, the surplus would total \$81.6 billion---more than double the costs." Noted author and sociologist Robert Putnam visited our community several years ago to promote his book, "Our Kids: The American Dream in Crisis," which addressed the same issue by asking, "What has happened to the Land of Opportunity?", and promoted universal pre-K to once again provide low-income families a chance to pursue economic opportunity.

One of the other key points in the book is simply how we count economic growth. Gross Domestic Product has become our bellwether measurement for answering “how’s the economy doing?”, yet such a broad aggregate misses the actual health of the majority of our residents. She strongly emphasizes disaggregating data to focus on how most households are doing... “measure what matters,” she writes. We’ve been measuring the wrong thing, according to the author. Robert Kennedy spoke so eloquently of that nearly 60 years ago when he talked about what we called Gross National Product (GNP) back in the 60s: “Too much and too long, we seem to have surrendered community excellence and community values in the mere accumulation of material things. Our gross national product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for those who break them. It counts the destruction of our redwoods and the loss of our natural wonder in chaotic sprawl. It counts napalm and the cost of a nuclear warhead, and armored cars for police who fight riots in our streets. It counts Whitman’s rifle [In 1966, Charles Whitman killed 16 people and wounded 32 in Austin, Texas] and Speck’s knife [In 1966, Richard Speck raped and killed 8 student nurses in Chicago], and the television programs that glorify violence in order to sell toys to our children. Yet the gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages; the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage; neither our wisdom nor our learning; neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile.

And it tells us everything about America except why we are proud that we are Americans.”

Finally, she suggests a more equitable fiscal and regulatory policy that will “support sustainable and productive investment by encouraging savings toward public infrastructure and climate change.” There has been a great deal of bi-partisan support for infrastructure, yet we have not been able to develop and pass any legislation that makes a meaningful difference to address our deteriorating national infrastructure. As we look at a new administration coming in, that might be an area of agreement to move forward on.

In her concluding chapter, the economist reaches back to the founding father of the dismal science: “More than two hundred years ago, Adam Smith transformed how people thought about the economy, giving us the idea of dynamics pushing the market as though with an invisible hand toward mutually beneficial outcomes. If the desires for wealth that inspire the butcher, brewer, and baker guide free, competitive markets toward outcomes that are generally socially beneficial, then they act as forces for good. During the latter half of the twentieth century, however, Smith’s ideas were stripped of nuance and turned into a widespread faith among policymakers that, if they left markets to their internal logic, the nation would see broadly-shared improvements in well-being. The evidence is in: That barebones framework doesn’t work.” I would also add my own footnote...before Smith wrote “The Wealth of Nations,” he penned “The Theory of Moral Sentiments,” and one of those foundational sentiments was that what benefitted a neighbor would benefit the individual. He saw sympathy as a “natural state” in humans. Taken together, one might deduce that people matter more than markets, with markets serving

what's best for people, and not the other way around. Many seemed to have lost sight of that in the past several decades. The dismal science, then, doesn't have to be so dismal after all.