What Can We Do about Economic Inequality?

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Over the last few days of this conference, we have heard a great deal about the growth of inequality and its insidious impacts. Inequality is a nasty disease and evidence of that nastiness mounts, year by year. And yet we must respond forcefully and effectively. Such a response is the topic of my remarks today.

What do we know? First, that inequality has become an endemic feature of our capitalist economy. Even before Thomas Piketty made this argument in his magisterial book *Capital in the Twenty-First Century*, other colleagues in economics had been arguing that capitalist economies have a tendency to create inequality. We now know this to be the general trend of market economies. There are exceptions, with the most notable being the post-World War II period in the West. The trauma of the war, the power of labor, and the discrediting of free market economic theory led to an unusual period in which government structuring of markets and strong institutional interventions resulted in a growing middle class and declining inequality. But we recognize this era now as unusual—almost an aberration—in a system that excels in accumulating assets and power in the hands of a few. Just this week Oxfam published a report estimating that 48 percent of all global wealth is now held by the top one percent and that by next year their share will rise to more than 50 percent. A mere eighty individuals now own the same amount of wealth as more than 3.5 billion people (and the wealth of those eighty has doubled since 2009).¹

Second, once economic inequality begins to mount and money becomes concentrated in the hands of a few, those few are able to amass political power. They exercise a *de facto* blackmail over government

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policy, given their control of investment funds, jobs, and economic activity. They also use their wealth to buy elected officials directly. The main political organizations controlled by the Koch brothers spent more than $100 million on the 2014 election and have bought themselves the most pro-fossil-fuel industry, climate-denying Congress in history. They have announced plans to spend $1 billion on the 2016 presidential election. We are in a vicious cycle in which economic power translates into political power, which is then used to transform laws, regulations, and budgets in order to create more wealth for the one percent. The game is rigged, and people know it. Elections mean less and less. Political democracy is eroded by plutocracy.

That erosion in turn breeds cynicism and apathy. Time-honored people-powered social movements seem both unattainable and ineffectual. People rightly question the efficacy of action when government is a wholly owned subsidiary of corrupt political parties and all-powerful wealth.

Given this understanding, how should we proceed? What is possible when economic and political systems themselves are corrupted? How can we act when it seems that we are living in a closed system with no way out? And if we could mount the political will to make change, what should we do? Are there viable remedies for the structural inequality that has accompanied the globalization of capital?

Via its interconnections with political corruption, climate change, and other issues, inequality has become what social planners first called a “wicked problem.” Wicked, not in the sense of evil, but in the sense of difficult, or resistant. These are problems with no easy solutions. They are unique, which is one reason why last century’s solutions to the wicked problems of today will not work. We have a different problem of inequality today. Wicked problems have multiple complex dimensions and are interconnected in economic, political, social, and often ecological terms. Wicked problems involve changing behavior, mindsets, and institutions.

Wicked problems require that we approach solutions in a new way. Older representations would suggest that we can tackle inequality as we have in the past: introduce more progressive income taxation, institute a wealth tax or a transactions tax, raise the minimum wage. These are all good policies, but mostly the answers of an earlier era that fail to reckon with the added complications of economic policy in the twenty-first century, that is, things which have turned
inequality into a wicked problem. These include the extent to which capitalism has become a global system, the degree to which the state has been captured, and the imperative of addressing global warming and climate chaos as an integral part of all economic policy. The wealthy, both as individuals and corporations, shift assets overseas to avoid taxation. There is gridlock at the federal level especially, and resistance to progressive taxation. It is also the case that actions that reduce inequality but increase greenhouse gas emissions are both suicidal in ecological terms, and also self-defeating. Policies that put money in people’s hands without changing the price of fossil fuels, or providing alternatives to carbon-intensive lifestyles, fall into this category. Finally, climate change itself has become a driver of inequality, because its effects weigh most heavily on the poor, who are disproportionately victims of extreme weather, drought, displacement, rising food prices, and other climate-related outcomes.

So how are wicked problems solved? One approach, which fits with the problem we have, is collaborative, network-based, bottom-up, and experimental. It involves learning by doing, and an open-minded approach. For the wicked problem of inequality, we will need a new economic paradigm and a new economic system. From my research, I believe that new economy is in the process of emerging. It is still “niche,” but as I will argue, from niches come new systems. Most importantly, the new economy innovations that I am studying combine social fairness (lower inequality) with sustainability, especially reduced carbon footprints. They are broad-based, typically grassroots, and collaborative. As such, they represent a viable pathway out of our wicked problem.

Another World Is Possible and It Is Already Being Built

This week the one percent of the world met at Davos, Switzerland, as they always do this time of year. As usual their discussions represented the height of hypocrisy, with hand wringing over inequality and other social ills—problems that are caused by their policies and worldview. An important source of the power of global capitalism, represented by the annual party in the Alps, is that its proponents did a good job of convincing publics around the world that it represented the only possible type of economic system—that there is no alternative, or the TINA principle. That belief reigned for many years,
perhaps until the 2008 financial panic and attendant global recession. But paradoxically, Davos itself brought forth an alternative, which is at the core of the collaborative approach I have just noticed. In January 2001, nearly fifteen years ago, a people’s group called the World Social Forum gathered in Porto Alegre, Brazil, during the Davos summit, to put on a counter-conference. That group declared that another world is possible. And now we can see that it is actually being built.

In the years since 2001, some remarkable things have happened. Change is most evident in Latin America, where poverty is declining rapidly, inequality is being reduced, and a grassroots solidarity economy has been in construction for some time. Latin America has its share of problems. But in contrast to what has been happening in most other parts of the world, this region is experimenting with and moving forward in the direction of reducing, not increasing, inequality.

But change is also in evidence here in the United States. I have been studying its various manifestations for a number of years. There is a remarkable proliferation of alternatives to what I called in my 2010 book *Plenitude* the Business-as-Usual Economy (borrowing a term from the climate discourse). They are mostly small scale, and local. But we should not let their current size fool us into thinking they are insignificant, or nostalgic throwbacks to the 1960s or 1970s. What we are seeing today are the seeds of a new system, one based on collaboration, fairness, ecological sustainability, and social connection. What are the innovative businesses, organizations, initiatives, and movements I am thinking about?

*Food.* In terms of sectors, food is the area where change is best known. There has been a revitalization of small farms in the U.S. after a century of decline. There is a rise of organic and local food production. A promising trend is urban farming that stresses food security in poor communities, food deserts with high levels of poverty and hunger. The reintroduction of community gardens is another. On the consumer side we are seeing the emergence of ethical eating, in which consumers pay attention to the impacts their food choices have on eco-systems and the people who grow the food. In the realm of distribution, farmers’ markets are only the most well-known of the new outlets. Others include community-supported agriculture and farm-to-table restaurants. One of my students, Katherine Olson, has been

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studying a town in rural Vermont, Hardwick, a very poor town, which has been remaking itself through innovations in food and agriculture. In addition to the kinds of initiatives I have just described, Hardwick has gone farther; via a food-oriented NGO, it has developed a community processing center in which local farmers can come to gain the higher value of local processing, thus building strong collaborative relations among small farmers and providing affordable quality food to low-income residents. Hardwick also boasts a number of farms that export sustainably produced high value-added products (cheese, tofu, seeds) that serve to bring more capital into the town, to keep the innovation and investment going. The result of all this innovation is that poverty has declined, food security has increased, and jobs are being created. Ecological degradation is also declining, as pesticide and other chemical use is eliminated via the use of organic methods. It is a low footprint, but successful economy. In Hardwick we see concrete evidence of high levels of collaboration among farmers, business, and locals. They are learning by doing, taking it a step at a time.

Energy. There has been remarkable innovation in this sector, not just in the rapid scaling up of renewable power, which is very heartening, but also in the changes in how power is governed, including structures of ownership and control. An area of renewed interest is municipally owned utilities. Boulder, Colorado most famously voted to create a municipal utility and is moving forward, despite efforts to prevent it by the privately owned utility, Excel, that has been operating there. There are already a large number of municipal utilities across the country which activists are starting to take notice of, in order to transform them into true people’s power organizations. Another innovation is community-based solar installations on community buildings such as libraries, city halls, schools. We are also seeing the emergence of cooperative solar installations in which groups of people get together to own a concentrated solar facility. There are newly formed consumer cooperatives that provide weatherizing and energy purchasing. A large-scale innovation is crowd-funded solar installation companies such as Solar Mosaic.

Finance. In the area of finance there are a number of exciting and large-scale developments. The biggest is the crowd-sourcing of finance through online sites such as Kiva, Kickstarter, Indiegogo, and others. Billions of dollars are already flowing through these peer-to-peer sites, which get finance from individuals for a variety of projects—in some cases development, in others artistic projects,
businesses, and the like. Other creative financial alternatives include public banking, with the most well-known being the State Bank of North Dakota, which funds projects and businesses within the state. There is also the Slow Money movement, which began in agriculture with the idea that investors’ time horizons and expectations should be tied to the sustainable rhythms of eco-systems, not to accelerated notions of time brought on by market expectations. Other examples include local finance: raising small shares for small businesses (such as retail shops, bakeries, bookstores) of between roughly $200 to $2,000 from local patrons of these enterprises.

**Cooperatives.** The cooperative movement is also booming, in a variety of sectors. These include both consumer cooperatives, which have had a more successful history in this country (including credit unions, and food co-ops), and producer co-ops. The latter are proliferating, in areas such as taxicab services, domestic services, home health aides, small-scale manufacturing, and even in some retail operations. There is also the well-known Cleveland model, which pairs worker cooperatives with guaranteed purchasing by so-called anchor institutions: large entities which are anchored in the communities (like universities and hospitals). In Cleveland, they have founded the Evergreen cooperatives, which include the nation’s largest green laundry, a solar cooperative, and an urban farm, all run by worker–owners. A portion of the profits from these enterprises is fed back into a fund to start new, local cooperatives. Worker–owners come from the impoverished communities that surround the city’s anchor institutions. Interest in the Cleveland model has run high and there are currently a number of other cities at various stages of implementing a similar model.

**Consumption and the Sharing Economy.** Even in the consumer sector, which is perhaps the least resistant to change in some ways, there are important developments. The best known is the rise of secondary markets in consumer goods, that is, markets for used goods, which used to be small and spotty. Online sites have changed that. But there are other important trends, such as the growth of “ethical consumption” (fairly traded products, for example), the enormous success of Etsy (which now has over one million sellers of handmade items), and the emergence of gift economies (such as Freecycle and Yerdle).

There is also an incremental move away from ownership toward systems which give shared access to resources (such as with car-
bicycle-sharing programs). These examples raise the question of the so-called sharing economy, which has received a tremendous amount of attention recently. Of course, not all the companies or platforms that are discussed under this rubric are really sharing entities. Some, such as Uber, are predatory companies, under fire for a variety of unethical practices. But there are real sharing platforms, as well as some others which may not technically be sharing, but which are peer-to-peer economies that work reasonably well for consumers and producers. I am thinking here of an innovation like Airbnb, which although it does raise important questions connected to the availability of rental apartments, safety, and taxation, has proved very popular with users. Sharing sites include the gift economy platforms mentioned above. There are also sites such as Landshare, which pairs would-be gardeners with people who have yards or land that they are not using for gardens.

There are a variety of neighborhood platforms which build ties within geographic areas, helping people to help each other, lend durable goods, and make connections. Other sharing initiatives include true ride sharing, time banking (where people exchange services on the basis of a barter system, and everyone’s time is valued equally), and food swapping (bartering cooked food items). People are organizing tool libraries, seed libraries, and makerspaces (to share access to tools in a central space which also gives people workshops). They are forming repair collectives so people can keep their consumer goods longer by fixing them.

**Commons Movement.** Finally, it is worth noting that the recent precursor to much of this “new economy” or “collaborative economy” activity is the transformation of the software industry, and indeed practices throughout the information and culture sector. In the 1990s, we saw the rise of the free and open software movement, in which programmers rejected the dominance of proprietary code in favor of open platforms that could be modified by thousands of people around the world contributing to them. This system of open coding gave rise to the highly successful and free operating system Linux, as well as a number of successful products such as Firefox. Indeed, there are now many fantastic and free software programs that have been created and maintained via this open system. Contributors are not paid, and consumers of the software do not pay. It is a collaborative effort, also called peer production. For academics like myself, this development has been revolutionary. I now keep my bibliographies and pdfs on a
free and open program called Zotero. Dedoose, the software that I use to code qualitative data for my research on sharing, is itself a sharing platform. And of course the most famous of all open products is Wikipedia, an amazing compilation of knowledge that has been produced with motivations other than making money. The key thing about all these examples is that they have been created without private property; the people who make them are not motivated by money, but by a variety of other sentiments, and most importantly they are superior products. Wikipedia beat out the Britannica because it was better. Ditto Linux, Zotero, and others. People are sharing enormous quantities of art, culture, information, and software because a new model of production and consumption is rising in those sectors.

I end my brief catalog of economic innovations with open and collaborative production because it is important for making a general point about our economic system. And that is that economics has changed. The structures and institutions that dominated in the nineteenth century—private property, the motivation of financial interest—are no longer those that yield efficient and socially beneficial outcomes. My point is not just that they generate too much inequality (which they do). It’s that in the expanding sectors of the economy (such as information and culture) they are no longer a good way to organize activity.

Why have I taken the time to go into such detail with these various examples of new economic activity and alternatives to inequality-enhancing capitalism? Surely local bakeries and repair collectives are no match for a powerful, fantastically wealthy corporate economy. There are a number of reasons. First, these alternatives represent the first contemporary learning experiments in living differently, with economies of cooperation rather than competition. Those will be necessary if we are to share the planet with the seven billion humans and countless other species with whom we co-inhabit. Indeed, climate change mandates that we learn how to share, and quickly. We need to learn to cooperate fairly, efficiently, and effectively. Elinor Ostrom gained a Nobel Prize in economics for pointing out that we do know how to do this, and humans have been sharing commons collaboratively for thousands of years, though we have forgotten this history in much of the world. Social and natural scientists working on evolutionary dynamics now understand how important cooperation is to our species and its evolutionary history, and how an overemphasis on competition is destructive and ultimately will be suicidal.
Second, these examples are not merely niches of innovation. In some areas, we see larger movements. In food, innovation is speeding up, transforming mainstream markets in ways unthinkable even a decade ago. Renewable energy, including in its democratically organized form, is gaining market share rapidly. The sharing economy is growing by leaps and bounds. And of course open source software, culture, arts, and information is remaking all those fields. Crowdfunding is likely the most rapidly growing form of finance now in the field. Yes, many of these examples are niche. But that is how systems transform, as we learn from the emergent field of “social transitions.” Niches begin, engage in learning, create ties with outsiders, connect with policymakers, and ultimately transform systems.

I will end here with a final point about these innovations, or new economy efforts. They are important from what we learn about new ways to engage in economic activity. They are important as niches from which to build up a new, sustainable, and more egalitarian economy. And they are important for our imaginations, to make us believe that an alternative is not only possible, but is in the process of emerging. For if we believe that, and others believe it too, then we have the possibility of creating an egalitarian, sustainable alternative that meets the needs of people and planet.