AMERICAN UNIVERSITY WORKING PAPER SERIES

THE DYNAMICS OF INEQUALITY IN THE HUMAN STORY: A BRIEF SKETCH

Jon D. Wisman

Working Paper 2017-10

<http://www.american.edu/cas/economics/research/upload/2017-10.pdf>

JEL No.: A20, D30, D63, N00

AMERICAN UNIVERSITY

4400 Massachusetts Ave., N.W.,

Washington, D.C. 20016-8029

ABSTRACT

Teaching contemporary inequality can be significantly enriched by being nested in its dynamics over the course of human history. This essay is intended to provide those teaching inequality with a brief sketch of: a) the original human condition of a high degree of equality that endured for 97 to 98 percent of our species' existence as foragers and early agriculturalists; b) the origin of extreme inequality that accompanied the rise of states and civilization about 5,500 years ago as weapons technology enabled a few to subjugate the producers; and c) why, despite political democracy, extreme inequality persists.

7-24-17

THE DYNAMICS OF INEQUALITY IN THE HUMAN STORY: A BRIEF SKETCH

By Jon D. Wisman¹

“Till there be property there can be no government, the very end of which is to secure wealth and to defend the rich from the poor”
(Adam Smith 1978, 404).

“...the ostensible serious occupation of the upper class is that of government, which, in point of origin and developmental content, is also a predatory occupation” (Thorstein Veblen 1934, 247).

Abstract: Teaching contemporary inequality can be significantly enriched by being nested in its dynamics over the course of human history. This essay is intended to provide those teaching inequality with a brief sketch of: a) the original human condition of a high degree of equality that endured for 97 to 98 percent of our species’ existence as foragers and early agriculturalists; b) the origin of extreme inequality that accompanied the rise of states and civilization about 5,500 years ago as weapons technology enabled a few to subjugate the producers; and c) why, despite political democracy, extreme inequality persists.

Keywords: Aboriginal equality, rise of state, comparative advantage in violence, democracy, ideology.

JEL Classification Codes: A20, D30, D63, N00.

Inequality is typically presented in most classrooms with statistics of trends of income and wealth shares in recent times with a discussion of their causes and consequences. However, should time permit, nesting this discourse in the deeper experience of inequality over our species’ history can provide students with a more profound appreciation of why inequality exists, its tenacity, and the formidable challenges to reducing it.

It is widely believed that inequality, if not extreme inequality, has always characterized the human condition. The biblical passage (Matthew 26:11) “The poor you will always have with you” suggests just this. This mistaken understanding can support a passive attitude that inequality is just part of what humans are all about and that although its degree might be dampened, it is inevitable, if not natural, so we will just have to live with it.

This brief essay is meant to dispel this misunderstanding by providing teachers with a brief outline of the dynamics of inequality over the course of the human story. It does so by addressing: a) why the original human condition of a high degree of equality endured for 97 to 98 percent of our species’ existence when we lived as foragers and early agriculturalists; b) how extreme inequality had its origin in the social transformation accompanying the rise of states and civilization about 5,500 years ago; and c) why, despite the high degree of political democracy that has been achieved in modern wealthy nations, extreme inequality continues to persist.

This outline of the big picture of inequality is crafted so as to be of use by not just those teaching economics, but also teachers of sociology, political science, and history.

¹ The author is Professor of Economics at American University, Washington, D.C.

Inequality is recent in human history

Most people believe that inequality has always characterized the human condition. But this is not true. Our species – homo sapiens – has been in existence for about 200,000 years, and until the rise of civilization and the state during the last two to three percent of this history – about 5,500 years ago -- humans lived with little inequality.

The dominant hypotheses for why this was the case are traced to the development of tools and more sophisticated social coordination. Tool making dates to about 2.5 million years ago. Many of the tools that served to increase the productivity of hunting, gathering, and food preparation could also serve as weapons to be used by humans against each other. This represented the birth of the weapons technology that will play a central role in determining the degree of societies' inequality.

These earliest weapons could be available to all members of society and served, as Nicholas Wade puts it, as “great equalizers... flattening out the male hierarchy of a still apelike society [especially when combined with] the cognitive ability of the weak to form coalitions against tyrannical leaders” (2009, 47). Thus, cooperation among the weaker checked competition and the appropriation of power by the stronger. Consequently, natural selection within the human species passed on human genes for both competition and cooperation. This cooperative behavior among humans is exceedingly important. David Sloan Wilson and John Gowdy write that “Humans are an exception to the primate rule. Human hunter-gatherer societies are much more cooperative than any primate group, extending to virtually all spheres of activity such as childcare, hunting and gathering, and between-group conflict” (2015, 41).

By cooperating, the disgruntled would form small coalitions against bullies. According to Kent Flannery and Joyce Marcus, headmen “were generous, modest, and diplomatic, because their constituents were too skilled at alliance-building to put up with bullies. The fate of a bully was to be lured into the bush and shot with poisoned arrows” (2012, 59). They employed “social pressure, disapproval, and ridicule to prevent anyone from developing a sense of superiority” (2012, 37). Christopher Boehm adds: “In effect, the group intimidates its stronger, more gifted, or more assertive members to keep them in line, but at the same time it uses them, in strictly limited ways, for purposes of leadership or meat procurement. [Also], When foragers suppress upstarts who would like to dominate their peers, they are thinking about food resources in addition to personal political autonomy” (1997, S104, S112).

These tool- and weapon-making early humans lived in social freedom in the sense that they lived with relatively little social inequality and thus without domination by more powerful social groups. They lived more-or-less democratically. Carles Boix reports that only two percent of these societies had formal class structures (2015, 41), generally due to rich fishing environments which enabled sedentary living and wealth accumulation.

These stateless communities “engage in a vast array of social practices, including many ritualized actions, to equalize both the material resources and social status of individuals. They develop a comprehensive set of sanctioning mechanisms, from gossiping to physical injury and execution, to secure the compliance of their partners. And they foster, through the upbringing of children and storytelling, a public ‘morality’ that emphasizes the primacy of equality and the subordination of individuals to the collective needs of the group” (Boix 2015, 47). Thus, arrogance or boastfulness is derided. Even when a hunter has been exceptionally successful, he is expected to be self-deprecatory about such success.

Among these foragers, there was little division of labor beyond that due to age and sex. Whereas gathering was predominantly done by females, hunting was an almost exclusively male

preserve, as is the case with our nearest primate relatives, chimpanzees (Stanford 2001). Because females generally carried suckling infants, they were far less mobile for hunting. Nevertheless, Boehm writes that

“All nomadic foragers are egalitarian, a pattern that makes the adult males, and sometimes also the females, into equals as household heads. They are politically egalitarian to the degree that named leadership roles are lacking or devoid of authority, status differences among politically autonomous household heads are muted, and individuals who try to influence group decisions must do so very circumspectly.... Alpha-male types are not allowed to flourish, even though the tendency to engage in status rivalry and seeking dominance persists and can still be expressed within carefully circumscribed limits” (1997, S104).

Yet leaders might be needed under certain circumstances. Christopher von Rueden et. al. point out that leaders are those who

“are accorded differential influence within a group over establishment of goals, logistics of coordination, monitoring of effort, and reward and punishment.... Leadership emerges spontaneously and rapidly, particularly in emergency situations requiring fast and efficient collective action.... These observations suggest that humans have evolved motivations to adopt leader-follower relationships to facilitate collective action” (2014, 539).²

The religion of foragers reflected their high degree of social equality. As Wade notes, “Primitive religions have no priests or ecclesiastical hierarchy. They are practiced by the community as a whole with no distinctions of rank” (2009, 101). Their religious rituals were generally ad hoc, held when adequate resources permitted a large group to live for a while together (Flannery and Marcus 2012, 163). Their dances were spontaneous and without leaders, whereby “The uniformity of the figures in the circle gives ideological expression to the equality of the members of the community” (Garfinkel 2003, 100).

Although possessing little, hunter-gatherers were healthier than humans would again be before modern times. Their diet was far more varied. They consumed a wide variety of animals and plants such that micronutrient deficiencies were uncommon as were the diseases associated with them. Because they were nomadic, they left their waste behind, meaning that fecal-oral transmission – the contamination of food or water by human excrement that would devastate later agricultural communities until recent times – was uncommon. They had contact with fewer people and thus suffered fewer “crowd diseases.” Although their life-span at birth of 20 to 30 years was low by today’s standards, it was higher than for most of the sedentary human existence that came later with agriculture. Foragers were also taller and stouter than later agriculturalists.

Beyond equalizing weapons and the ability of weaker social members to coordinate against bullying, there were several other factors that help account for their egalitarian social condition. First, they shared food such that no one starved unless virtually all did so. Unlike hierarchically-structured primates that ate their food as they came upon it, humans brought their food back to the encampment and shared it with others. David Graeber notes that, “The obligation to share food, and whatever else is considered a basic necessity, tends to become the

² Because older men generally had more experience in battle, they were more readily chosen to lead an expedition. Bobbi Low notes, for instance, that among the Yanomamö, “there is no stratification. During times of peace, there’s no chieftanship. When wars erupt, older experienced men who have killed many men and captured many heads are chosen as war chiefs” (2001, 224).

basis of everyday morality in a society whose members see themselves as equals” (2012, 98). Graeber goes on to point out that “Early missionary accounts of native North Americans almost invariably include awestruck remarks on generosity in times of famine, often to total strangers” (2012, 98). Wade suggests that hunter gatherers held to a rule that all meat be distributed so as to preclude that an especially skilled hunter might gain social power by controlling its distribution (2009, 46). “Some foragers” Flannery and Marcus point out, “considered sharing so important that they declined to store food lest they be accused of hoarding” (2012, 549). Angus Deaton speculates that “Our current deep-seated concerns with fairness, as well as our outrage when our norms of fairness are violated, are quite possibly rooted in the absence of storage options for prehistoric hunters” (2013, 76).³

The nomadic lives of foragers also encouraged egalitarian social conditions. Hunters and gatherers would hunt and gather an area until it was fairly well picked over and then move on, often following the migratory patterns of animals. Consequently they could not individually or collectively accumulate significant material wealth. What material wealth they might possess would be in the form of crude primitive weapons and tools, perhaps clothing and hides for shelter, and ornamental jewelry. Such meager material wealth offered groups little incentive to attack so as to steal others' material possessions.

However, their high degree of equality should not lead to their romantization à la Jean-Jacques Rousseau. They appear to have been exceedingly homicidal toward members of other groups due to the sexual advantages accruing to highly skilled warriors who returned to camp with trophy evidence such as heads, scalps, or genitalia. Napoleon Chagnon calculated that among the Amazonian Yanomamö, those who had killed had an average of over two and a half more wives and more than three times as many children (Diamond 2012, 163). Flannery and Marcus note that among some peoples, “A man who had beheaded no one was considered such a wimp that he had trouble getting a wife” (2012, 105). According to anthropologist Lawrence Keeley, 65 percent of pre-agricultural societies were at war continuously, and 87 percent fought more than once a year. As many as 10 percent of a band's population might perish in a single raid. They typically killed their enemy, taking no prisoners to avoid revenge, excepting women. It has been estimated that about 30 percent of males were killed in warfare (about the same rate as for chimpanzees (1997, 174). This was .36 percent per year (or in a population of 1,000, 36 per year) (Diamond 2012, 154).

Students, as well as others growing up in capitalist economies, are led to believe that humans are by nature competitive. After all, that is how they were encouraged to be as children so as to thrive in market society. But humans evolved to be capable of both competition and cooperation and the balance is significantly determined by social conditioning. Jared Diamond points out how in earlier societies, children were raised to be cooperative rather than competitive. The games that socialized children in their behavior toward one another lacked competition or contests (2012, 204). He notes that “children's play involves cooperation rather than winning and losing... [and that in New Guinea, for instance] children learn to share, and not to seek an advantage for themselves” (2012, 91). Further, their cooperative behavior provided them with a form of social maturity. Diamond reports how Westerners “are struck by the emotional security,

³ It is noteworthy that Adam Smith addressed the powerful sentiment of fairness and justice: “All men, even the most stupid and unthinking, abhor fraud, perfidy, and injustice, and delight to see them punished” (1759, 171; II, ii, 23).

self-confidence, curiosity, and autonomy of members of small-scale societies, not only as adults but already as children” (2012, 208).

How political and economic inequality arose

The development of agriculture laid the material foundations for the eventual rise of civilization. As productivity in agriculture improved, cultivators could produce more than was necessary for their own subsistence. If a small group acquired superior military technology that was not available to the cultivators, this small group could deploy it to expropriate the surplus. And this superior military force became available with metallurgy. As Boix writes:

“States... (as authority structures that go beyond the models of ‘big men’ or even unstable chiefdoms) appeared only after several innovations in military technology made it feasible for a few individuals to concentrate all the existing coercive resources in their hands.... The introduction of copper helmets and swords from 3,500 [B.C.] onward revolutionized the dynamics of war, prompting the formation of a specialized body of warriors or soldiers” (2015, 121).

Thereby the state was born, run by a powerful elite with a comparative advantage in violence that would live off the surplus production of the masses. Their leaders would draw on religion to provide them with the highest level of legitimacy.

This understanding of the state as that social actor with a comparative advantage in violence, offering protection in return for taxes or tribute, was first formulated by Max Weber (1978) and further developed by Douglass North (1982). Accordingly, the state is merely another maximizing self-interested actor, behaving like all other economic actors, thereby subsuming the political as a subcategory of the economic. But this economic actor possesses the special characteristic of being able to mete out more violence than any other competing actor or group of actors. With the rise of the state, as Michael Mann has put it, “The gigantic protection racket of political history began: ‘Accept my power, for I will protect you from worse violence – of which I can give you a sample if you don’t believe me’” (2012, I:100).

To appease potential competitors, the state would offer concessions in the form of tax breaks or special privileges to its most powerful, and therefore most potentially threatening competitors. Thus such competitors might be taxed lightly, or not at all. In economic terms, the state uses discriminatory pricing, or discriminatory exploitation, charging different prices (e.g., tax rates), to differing classes or interest groups, thereby maximizing revenues minus costs. The more substantial the potential for violence of a class within society, the greater would be the threat of heavily taxing it. Consequently, taxes would fall most heavily on the poor masses -- those with the least ability to organize and threaten the state.⁴

The state’s monopoly on violence is always relative. The more available potential substitutes, whether internal or external, the more constrained are the state and its closest supporters from taking the maximum amount of surplus from producers. Pure democracy, in these terms, would be where the availability of substitutes is virtually infinite since all citizens would possess equal political power. Exploitation would only be possible if people were fooled by ideology to not act in their own interests. No one, of course, pretends that pure democracy is possible, but the concept awakens us to the fact that democracy in practice is always a relative term (Wisman 2017a).

⁴ For example, prior to the French Revolution, the First and Second Estates (the clergy and the nobility) were exempt from taxation, placing the full tax burden on the Third Estate (rest of society), especially the peasants who were believed to pose little threat to the regime.

Because rulers' internal competitors are those whose wealth depends upon extraction of surplus from producers, a state service offered to them would be defense of their property and privilege from potentially disgruntled producers. The state's monopoly on violence gives it the power to do so, although ideology could perform the same function at far less cost. In this manner, the state behaved like Marx's executive committee of the ruling class. Or as Adam Smith had stated it much earlier, "Civil government...is in reality instituted for the defense of the rich against the poor, or of those who have some property against those who have none at all" (1776, 674).

Protected by the state, elites owned and controlled practically all of the means of production. All others in society, to survive, had to work on or with the elites' property. They have done so as slaves, serfs, indentured servants, debt-bonded peasants, and, since the rise of capitalism, by offering to work for the property's owners as wage-laborers.

Why, despite political democracy, does extreme inequality persist?

As industrialization and urbanization accompanying economic growth during the nineteenth century increased inequality, it also greatly augmented the potential, as Marx anticipated, that the working class could organize and threaten violence against the elites' state for redress. The evolution of an urban industrial working class brought with it organized, at times violent, resistance to long workdays, low wages, and unhealthy working conditions. To reduce and hopefully eliminate the threat of violence, elites began bribing the working class with various benefits and with the franchise. Both strategies for calming working class revolutionary fervor resulted in higher living standards for workers.

Although immediately costly to elites—lowering the amount of surplus they could appropriate – they realized that the alternative of violence and revolution promised to be far worse.⁵ They understood, as Edward Muller and Mitchell Seligson observe, that "the presence of meaningful nonviolent possibilities of influencing the political process will inhibit the ability of revolutionary-minded dissidents to mobilize large followings" (1987, 444). This possibility had been foreseen by De Tocqueville, who much earlier had noted how political inclusion of disgruntled groups served to quiet social resentment. He was well aware of how when conservative elites in France had vociferously opposed extending the franchise, devastating urban riots followed (1899).

The following examples reveal the dynamics of the political response to the threat of worker insurrection and the resulting improvement in worker welfare. The initial extension of the franchise in Britain in 1832 followed, as Daron Acemoglu and James Robinson note, "unprecedented political unrest, including the Luddite Riots from 1811-1816, the Spa Fields Riots of 1816, the Peterloo Massacre in 1819, and the Swing Riots of 1832" (2000, 1182–83). To quell worker militancy, England introduced the 10-hour working day in 1847. Following the revolution of 1848, "Britain...was transformed from an 'oligarchy' run by an elite to a democracy" (Acemoglu and Robinson 2000, 1167). Further extension of the franchise in 1867 came with a heightened threat of violence due to a severe economic downturn. This was followed by lessened inequality and welfare measures paid for by the fact that "taxes as a proportion of National Product more than doubled in the 30 years following 1870, and then

⁵ Marx and Engels famously wrote, "The executive of the modern State is but a committee for managing the common affairs of the whole bourgeoisie" (1848, 475). But what they failed to adequately appreciate is that this committee could be savvy enough to do what was necessary to appease a revolutionary working class and thereby defuse their revolutionary impulses.

doubled again” (Acemoglu and Robinson 2000, 1191). These taxes fell most heavily upon the elites.

Although universal male suffrage had been introduced by the French Revolution, in subsequent decades it was whittled down until, following the 1830 revolution, the Orleanist monarchy used property restrictions to limit it to a mere 0.75 percent of the population. But the Revolution of 1848 was the big wakeup call for the elites. It became clear that political reforms with distributional consequences had to be made to avoid a revolution that would abolish their privileges. In the wake of the 1848 revolution and the collapse of the Orleanist monarchy in 1849, male suffrage was again extended to all males. Continued concern about worker insurrection led France to create compulsory workmen’s compensation insurance in 1898, requiring payment to injured workers regardless of fault. This represented socialization of the very idea of responsibility (Rosanvallon 2013, 195). The individual no longer stood alone, but was part of a society that had obligations to its citizens.

The elite in Germany also began extending the franchise following the 1848 revolution. However, rather than further extending it several decades later in response to an increasingly threatening working class (organized under a socialist party), the elite chose instead to bribe them with extensive welfare measures. Germany’s Social Democratic Party embraced a Marxist program in 1875. To counter its rising political challenge, Otto von Bismarck set forth social measures between October 1878 and 1890 that served to defang the threat. Before the Reichstag, Bismarck argued that “If the wounds are to be healed, we must not only repress the excesses of social democracy but also, in a more positive sense, foster the well-being of workers” (cited in Rosanvallon 2013, 174).

Bismarck introduced compulsory health insurance in 1883, paid for by both employers and workers. The following year, worker accident insurance was introduced, and in 1889, old-age insurance and mandatory retirement.

Over the following decades, other European countries introduced many of the same measures. Much of what had earlier been viewed as the domain of charity was taken over by the state and came to be seen as rights. The state presented itself as an agent for social solidarity.

Although workers were essentially bribed to not use their political power to dramatically reduce inequality, worker welfare greatly improved. Extension of the franchise in response to threats of violence and revolution from below led to labor reform, and especially to a democratization of education. In England, for instance, enrollment of 10-year-olds soared from 40 percent in 1870 to 100 percent in 1900 (Acemoglu and Robinson 2000, 1191). Through the political process, workers were gaining the right for their children to accumulate human capital, an increasingly important form of wealth.

Even more striking was the dramatic improvement in health. Cleaner water and better nutrition as worker incomes rose enabled children to grow up taller, stronger, with longer life spans. Deaton describes the political dynamic as follows: “Whenever health depends on collective action – whether through public works, the provision of health care, or education – politics must play a role. In this case, the (partial) removal of one inequality – that working people were not allowed to vote – helped remove another inequality – that working people had no access to clean drinking water” (2013, 98).

Thus, nineteenth century European history clearly reveals that the inflection point of the Kuznets curve – where economic growth switched from increasing to decreasing inequality -- was fully political, following upon the reaction of the ruling elites to the threat of worker-led violence and revolution. Accordingly, Acemoglu and Robinson find that for the countries they

examine (Britain, France, Germany, and Sweden) “inequality peaked approximately at the time of the major political reforms, and fell sharply after the extension of the franchise.” Williamson’s empirical work supports this timing, finding that rising inequality appears to have begun in England around 1760, peaking in the 1860s, after which inequality mildly decreased until World War One (1991: 15). This fall was politically driven “in large part due to major redistributive efforts including increased taxation, investment in education of the poor, and labor market reform” (Acemoglu and Robinson 2000, 1193; 1180).

Compared to the European experience, the U.S. was an anomaly, starting out far more egalitarian (Engerman and Sokoloff 1994). Notions of equity pervaded both the economic and governmental spheres in the United States, with titles of nobility specifically prohibited in its Constitution (Article I, Section 9). The Land Ordinance of 1785 and later The Homestead Act of 1862 that expanded opportunities for the lower classes to own land are evidence of the greater degree of political power possessed by the general population. These state-owned lands might have been sold for a pittance to monied interests instead. Rosanvallon claims that “In America one can speak of a *continuous revolution*. The thirty years between the presidencies of George Washington and Andrew Jackson were notable for a steady rise of the egalitarian ethos. Federalist ideas gradually receded while ‘republican’ ideas gained strength” (2013, 61). Something like the agrarian democracy that developed in the U.S. during the Jacksonian period also come forth in Switzerland and Norway.

The progressively greater democratization at the ballot box decreased the ease with which elites could use the state to violently curb the aspirations of workers, especially in putting down strikes. Retention of their control over the state would depend increasingly on their control over ideology. Always before, excepting severe crises, they had been successful in convincing the producers below that what was more narrowly in the interests of elites was equally in the interests of the workers. But now the elites faced a new challenge. They could no longer as easily back up their ideology with violence. The elites had lost their violence-backed monopoly control over the state.

The democratization of the franchise that came with the increasing threat of worker violence foiled the expectations of Marxists that workers would overthrow capitalism and institute socialism. But given Marx’s understanding of ideology control, it is hardly surprising that the working class would not follow through: “The class which has the means of material production at its disposal, has control at the same time over the means of mental production, so that.. the ideas of those who lack the means of mental production are subject to it (1845, 172). Accordingly, the bourgeoisie had been able to take political power from the aristocracy because it came to control capital, the principal evolving means of production, along with an ideology legitimating this ownership. Nothing parallel to this occurs for the proletariat. They struggle for political power without command over the means of production and thus command over ideology. They have only their greater numbers.

Nevertheless, by the end of the nineteenth century and beginning of the twentieth, workers had used the state to politically advance their collective interests on an unprecedented scale. The state had been transformed from the executive committee of the ruling class to that social agency that could limit, or in the extreme eliminate the capturing by elites of disproportionate shares of income, wealth, and privilege. Without revolution, the working class had in principal gained power to rewrite the social script. That they did not fully do so is testament to the power elites retained over ideology.

The Great Depression's widespread suffering called into question the elite's laissez-faire ideology and its political and economic policies. It also challenged the prevailing economic theory that legitimated these policies, making space for the Keynesian revolution. This delegitimation of the elite's ideology, their most powerful political tool, led to political changes during the subsequent four decades that reduced inequality in income, wealth, and opportunity. These political changes were guided and made possible by economic doctrines that depicted greater equality as positive and active government intervention as essential for a prosperous and fair economy. Only government could guarantee what in the U.S. was called a "New Deal."

In the U.S., the most outstanding government measures reducing inequality and improving conditions for the broad population included workers' rights to collectively bargain, minimum wages, Social Security, the G.I. Bill, Medicare, Medicaid, Food Stamps, public housing and rent subsidies, Project Headstart, Job Corps, Occupational Safety and Health Administration, the Consumer Product Safety Commission, the Mine Enforcement and Safety Administration, and the Environmental Protection Agency. Public goods that benefit the general population such as schools, community colleges and state universities, parks, playgrounds, and public transit were vastly expanded in quantity and quality. Highly progressive income taxation also reveals the intent of redistribution toward greater equality. The highest marginal income tax rates were: 1942-43: 88 percent; 1944-45: 94 percent, 1946-50: 91 percent. Top marginal tax rates remained in the upper 80s percent from 1951 until 1964, and 70 percent from 1965 until 1981.⁶

Whereas the top one percent of households in 1929 received 22.5 percent of all pre-tax income (including capital gains), they received only nine percent by the late 1970s (Piketty and Saez 2006). What Arthur Burns termed a "revolutionary leveling" (in Williamson 1991, 11), and Claudia Goldin and Robert Margo, the "Great Compression" (1992) between the 1930s and mid-1970s, seemed to confirm Kuznets' conjecture that inequality would decrease in the later stages of economic development. Thanks to the relative delegitimation of the elites' ideology and thus political power, relative wealth distribution returned to a state that had disappeared in the decades after the Civil War.

However, by the mid-1970s, ideology began turning against the active government intervention that had benefited the broad population for four decades. Due to the elites' wealth, superior education, and influence over the political sphere, this ideological reversal was destined to happen eventually (Wisman 2013), but specific events brought it forth in the 1970s.

Stagflation delegitimated Keynesian economics,⁷ setting the stage for a strong rejection of government intervention in the economy. Liberal policies were alleged to be at the root of what pundits claimed was the decline of the American century. Evidence included loss of gold backing of the dollar and its devaluation, loss of the Vietnam War, and with the widespread use

⁶ The impact of tax rates on inequality is clear. OECD countries in which taxes have been cut most on high incomes have witnessed the greatest increases in income accruing to the very wealthy (Deaton 2013, 212). Piketty also notes that "...the resurgence of inequality after 1980 is due largely to the political shifts of the past several decades, especially in regard to taxation and finance" (Piketty 2014, 20).

⁷ As Chicago School economist John Cochrane has put it, "When inflation came in the nineteen-seventies, that was a major failure of Keynesian economics" (cited in Cassidy 2010, 31). As early as 1980, Robert Lucas wrote that "At research seminars, people don't take Keynesian theorizing seriously anymore; the audience starts to whisper and giggle to one another" (1980, 19).

of recreational drugs and sexual promiscuity, alleged rising moral degeneracy.⁸ Welfare, union power, and labor legislation were claimed to have sapped work incentives. High taxes, especially on the rich, allegedly reduced entrepreneurial energies and the incentives to save and invest, resulting in stagnation and anemic tax revenues (the infamous “Laffer Curve”).

Legislation flowing out of the rising discontent with liberalism reversed the trend toward greater equality. This shift of income, wealth, and privilege toward the rich set in motion a self-reinforcing process since it meant that they commanded yet more resources with which to influence public opinion and policy. And research reveals that their expenditures on creating and disseminating ideology yield high returns (Glaeser 2006). The consequence is that inequality today has reached levels of the 1920s. The elite, thanks to their recapture of ideology that guided political policy to change the economic rules of the game, recaptured all that they had lost during the four decades of the “great compression,” and then some (Wisman and Pacitti 2015).

Final reflections

Inequality is generally depicted by the economics profession, as well as many other social scientists and political commentators, as the consequence of economic forces. While this is not false, it is deceptively incomplete. All economic processes occur within an institutional context that captures the politically-created rules of the game. Further, any distributional changes brought about by such economic forces as technological change or globalization can be politically reversed or neutralized through government taxation, spending, and regulation. Ultimately, the degree of inequality in any society is politically determined (Wisman 2017b).

The depiction of inequality as generated by economic forces serves as an ideology suggesting that it is the natural outcome of growth-promoting economic processes. This ideology impedes political intervention to achieve desired distributional goals. It is especially at work where prevailing economic institutions or rules of the game are depicted as the essential ones for economic dynamism, which is further presumed to “raise all boats” such that even if inequality is increasing, those at the bottom are absolutely (materially) better off – the classic trickle-down thesis. However, a number of studies challenge the claim of a positive relationship between inequality and economic dynamism, finding instead that greater income inequality causes economies to grow more slowly (Alesina and Rodrik 1994; Bernstein 2013; Easterly 2002; Persson and Tabellini 1994). The deputy director of the IMF’s highly reputable research department, Jonathan Ostry, claims that “On average, redistribution seems to have helped support faster and more durable growth” (in Talley 2014). He finds that excessive inequality harms growth by reducing access to health and education and by increasing political instability.

Yet these findings are generally ignored by most economists and consequently most policy makers. They continue to essentially embrace the ideology of the doctrine of trickle down. Indeed, this may be the understanding that students receive in many of their economics classes.

Second only to violence, ideology has always been a powerful political weapon and it has almost always been controlled by elites who possess all the privileges that enable this control. They receive the best educations, they possess the most gifted and politically-connected friends, and they can afford the most talented creators of ideology (think tanks, media ownership, university research grants and chairs). The discipline of economics has, since Mercantilist times,

⁸ Home-grown domestic terrorism also characterized this period. In 1972, there were 1900 domestic bombings. Terrorist groups included the Weathermen, the Black Liberation Army, and the Symbionese Liberation Army (Burrough 2015).

served to legitimate inequality (Wisman and Smith 2011).

Command of ideology is, of course, relative. But in the grand course of human history since the rise of the state, only rarely has the elite's command weakened to the point where workers were left with significantly more than mere subsistence, and in only one instance – the 1930s to the 1970s – did their command weaken to the point that inequality actually decreased in a sustained manner. This historical backdrop of only one instance makes clear the magnitude of the challenge for those who believe that lessened inequality is essential for a better social future.

This article has revealed that for 97-98 percent of history, humans lived in relative equality; that extreme inequality has only existed since the rise of states and civilization about 5,500 years ago; and that, due to the elite's control over ideology, extreme inequality continues to exist despite a high degree of political democracy. The thrust of this short essay is that nesting our teaching of inequality within the broad historical experience may help break the ideological barrier to moving toward more equal societies.

References

- Acemoglu, Daron, and James A. Robinson. 2000. "Why Did the West Extend the Franchise? Democracy, Inequality, and Growth in Historical Perspective." *The Quarterly Journal of Economics* 115 (4): 1167–99. doi:10.1162/003355300555042.
- Alesina, Alberto, and Dani Rodrik. 1994. "Distributive Politics and Economic Growth." *The Quarterly Journal of Economics* 109 (2): 465–90. doi:10.2307/2118470.
- Bernstein, Jared. 2013. "The Impact of Inequality on Growth." *Name*.
<http://www.americanprogress.org/issues/economy/report/2013/12/04/72062/the-impact-of-inequality-on-growth/>.
- Boehm, Christopher. 1997. "Impact of the Human Egalitarian Syndrome on Darwinian Selection Mechanics." *The American Naturalist* 150 (S1): S100–121.
- Boix, Carles. 2015. *Political Order and Inequality: Their Foundations and Their Consequences for Human Welfare*. New York: Cambridge University Press.
- Burrough, Bryan. 2015. *Days of Rage: America's Radical Underground, the FBI, and the Forgotten Age of Revolutionary Violence*. New York: Penguin Press.
- Cassidy, John. 2010. "After the Blowup." *The New Yorker*, January 11.
http://www.newyorker.com/reporting/2010/01/11/100111fa_fact_cassidy.
- Deaton, Angus. 2013. *The Great Escape: Health, Wealth, and the Origins of Inequality*. Princeton, N.J: Princeton University Press.
- Diamond, Jared. 2012. *The World Until Yesterday: What Can We Learn from Traditional Societies?* New York: Viking Adult.
- Easterly. 2002. *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Cambridge: MIT Press.
- Engerman, Stanley L., and Kenneth L. Sokoloff. 1994. "Factor Endowments: Institutions, and Differential Paths of Growth Among New World Economies: A View from Economic Historians of the United States." Working Paper 66. National Bureau of Economic Research. <http://www.nber.org/papers/h0066>.
- Flannery, Kent, and Joyce Marcus. 2012. *The Creation of Inequality: How Our Prehistoric Ancestors Set the Stage for Monarchy, Slavery, and Empire*. Cambridge: Harvard University Press.
- Garfinkel, Yosef. 2003. *Dancing at the Dawn of Agriculture*. 1 edition. Austin: University of Texas Press.

- Goldin, Claudia, and Robert A. Margo. 1992. "The Great Compression: The Wage Structure in the United States at Mid-Century." *The Quarterly Journal of Economics* 107 (1): 1–34. doi:10.2307/2118322.
- Graeber, David. 2012. *Debt: The First 5,000 Years*. Reprint edition. BROOKLYN, NY: Melville House.
- Keeley, Lawrence H. 1997. *War Before Civilization: The Myth of the Peaceful Savage*. Reprint edition. New York: Oxford University Press.
- Low, Bobbi S. 2001. *Why Sex Matters: A Darwinian Look at Human Behavior*. Princeton, N.J.: Princeton University Press.
- Lucas, Robert E. 1980. "The Death of Keynesian Economics." *Issues and Ideas*, 18–19.
- Mann, Michael. 2012. *The Sources of Social Power: Volume 1, A History of Power from the Beginning to AD 1760*. 2 edition. Vol. I. 4 vols. New York: Cambridge University Press.
- Marx, Karl. 1845. "The German Ideology." In *The Marx-Engels Reader*, edited by Robert C. Tucker, 2nd ed., 146–202. New York: Norton & Co.
- Marx, Karl, and Friedrich Engels. 1848. "Manifesto of the Communist Party." In *The Marx-Engels Reader*, edited by Robert C. Tucker, 2nd ed., 469–500. New York: Norton & Co.
- Muller, Edward N., and Mitchell A. Seligman. 1987. "Inequality and Insurgency." *The American Political Science Review* 81 (2): 425–52.
- North, Douglass C. 1982. *Structure and Change in Economic History*. New York: W. W. Norton & Company.
- Persson, Torsten, and Guido Tabellini. 1994. "Is Inequality Harmful for Growth? Theory and Evidence,." *American Economic Review* 84: 600–621.
- Piketty, Thomas. 2014. *Capital in the Twenty-First Century*. Harvard University Press.
- Piketty, Thomas, and Emmanuel Saez. 2006. "The Evolution of Top Incomes: A Historical and International Perspective." Working Paper 11955. National Bureau of Economic Research. <http://www.nber.org/papers/w11955>.
- Rosanvallon, Pierre. 2013. *The Society of Equals*. Cambridge, Mass: Harvard University Press.
- Rueden, Christopher von, Michael Gurven, Hillard Kaplan, and Johathan Stieglitz. 2014. "Leadership in an Egalitarian Society." *Human Nature* 25: 558–66.
- Smith, Adam. 1759. *The Theory of Moral Sentiments*. Indianapolis: Liberty Classics.
- . 1776. *An Enquiry into the Nature and Causes of the Wealth of Nations*. New York: The Modern Library.
- . 1978. *Lectures on Jurisprudence*. Edited by Ronald Lindley Meek, D. D. Raphael, and P. G. Stein. Glasgow Edition of the Works and Correspondence of Adam Smith 5. Oxford: Clarendon Press.
- Stanford, Craig B. 2001. *The Hunting Apes: Meat Eating and the Origins of Human Behavior*. Princeton, N.J.: Princeton University Press.
- Talley, Ian. 2014. "Redistributing Wealth to the Poor Doesn't Burden Growth, IMF Note Says." *WSJ Blogs - Real Time Economics*. February 26. <http://blogs.wsj.com/economics/2014/02/26/redistributing-wealth-to-the-poor-doesnt-burden-growth-imf-note-says/>.
- Tocqueville, Alexis de, and Henry Reeve. 1899. *Democracy in America*. New York: Vintage.
- Veblen, Thorstein. 1934. *The Theory of the Leisure Class; an Economic Study of Institutions*. New York: The Modern library. <http://archive.org/details/theoryofleisurec00vebl>.
- Wade, Nicholas. 2009. *The Faith Instinct: How Religion Evolved and Why It Endures*. New York: Penguin Press.

- Weber, Max, Guenther Roth, Claus Wittich, and & 1 more. 1978. *Economy and Society: An Outline of Interpretive Sociology*. New Ed edition. Berkeley, Calif. u.a.: University of California Press.
- Williamson, Jeffrey G. 1991. *Inequality, Poverty, and History: The Kuznets Memorial Lectures*. Cambridge, Mass., USA: Blackwell.
- Wilson, David Sloan, and John M. Gowdy. 2015. "Human Ultrasociality and the Invisible Hand: Foundational Developments in Evolutionary Science Alter A Foundational Concept in Economics." *Journal of Bioeconomics* 17: 37–52.
- Wisman, Jon D. 2013. "Government Is Whose Problem?" *Journal of Economic Issues* 47 (4): 911–38. doi:10.2753/JEI0021-3624470406.
- . 2017a. "Exploding Inequality Is Killing Democracy." *E-International Relations*, January. <http://www.e-ir.info/2017/01/04/exploding-inequality-is-killing-democracy/>.
- . 2017b. "Politics, Not Economics, Ultimately Drives Inequality." *Challenge* 60 (4): 347–67.
- Wisman, Jon D., and Aaron Pacitti. 2015. "What the American Elite Won Over the Past 35 Years and What All Other Americans Lost." *Challenge* 58 (3): 1–25.
- Wisman, Jon D., and James F. Smith. 2011. "Legitimizing Inequality: Fooling Most of the People All of the Time." *American Journal of Economics and Sociology* 70 (4): 974–1013.