



Moral Capitalism at Work

**Business and Public Policy Round Table
December 6, 2011
University Club of St. Paul**

**“A Conversation with Occupy Minnesota and Tea Party about
Economic Justice in America”**

Introductory presenters: Steve Young, Global Executive Director, Caux Round Table; Rich Broderick, Research Fellow, Caux Round Table; Ed Lotterman, Columnist, Pioneer Press; Ben Egerman, Occupy Minnesota; Stephanie Brown, Occupy Minnesota; Marianne Stebbins, Ron Paul Campaign; Walter Hudson, Tea Party

Chair, facilitator and rapporteur: Steve Young

Participants: Grant Abbott; Doug Hepper; John Hottinger; Paul Kenworthy; Bob MacGregor; Mike Maxim; Nancy Maxim; Paul Siebrasse; Hoa Young

Summary of comments:

The discussion began with comments to the point that, considered from the standpoint of rhetoric, there are striking parallels between the Tea Party and the Occupy Minnesota movements.

- Both are rooted in a concern for average Americans.
- Both are rooted in a systemic critique of the U.S. political economy.
- Both are motivated by frustration over injustices and evidence a feeling of having been “gamed” by the system, that the American Dream has become elites taking care of themselves and that we have a “show” democracy.

Both movements have arisen during a time of global unrest and protest over the failure of systems.

Ed Lotterman, columnist for the Pioneer Press and professor of economics at Augsburg College, presented observations on income distribution, data which was related to the middle class’s decline, but really is different. While national income (per capita) has grown, there has been stagnation or decline for many in real incomes received. Much of the increase has gone to the top 10%, not even to the top 20%. Is this a problem with the national economy?

From 1900 to WWI, there was considerable income inequality. From 1914 to 1950, income distribution was more equal and from 1950 to 1970, it was stable. Now, it has become extremely skewed.

What is the middle class? America has culturally evolved not to emphasize class. If you are not “middle class,” than what are you? Who is experiencing income stress? Do we need to define a working middle class, an upper and a lower middle class?

An anomaly with income statistics is that they are collected by households and not by individuals. So, in a period of an increase in households – divorce, singles living on their own, assisted living for elders, etc. – measured average household income will decrease. Social changes alter economic data. For 30 or 40 years now, households have grown faster than population increases.

Secondly, not everyone within the same income bracket is experiencing the same situation. Some are stagnant. Some are passing through to higher levels of income. Others are experiencing a decline in their income. Some argue that with such mobility, there is no need to worry about income distribution: life is like playing volleyball – you cycle through the positions. But, as of today, mobility has decreased. Wealth has become much more concentrated.

So, what is the issue to resolve? Why is income more unequal? Is it the result of market forces or social forces? Of changes in marriage and career patterns, with higher educated, higher income individuals marrying each other more and more? Of globalization and increased trade? Of government policies?

What about the relationship between inequality and efficiency. What is a fair balance between equality and returns to entrepreneurship, to a Bill Gates or a Steve Jobs? In the 1950's, 1960's and 1970's, we fostered growth with more equal income distribution.

Inequality introduces economic and social tensions, which bring on inefficiencies. Thus, in the late 19th century, to promote Germany through peace and order and avoid Marxism, Bismark dealt with the harsh edges of capitalism.

Educational achievement drives income distribution, but today, many arrive at college ill-prepared and the costs of post-secondary education are out of control. There is still a premium in income earned between high school graduates and college graduates – 78% more lifetime income. And going to college is more hereditary, giving an income distribution bias to higher income families.

Finally, we are still going through a financial crisis. Indebtedness substituted for income growth for many households. Seven percent of household spending came from refinancing of residences.

Ben Egerman and Stephanie Brown, activists from Occupy Minnesota, described their movement as addressing a feeling – that the America of our parent's generation no longer exists. Young people are crippled by debt. Their parents are losing their jobs and can't find new ones, while many face foreclosure.

Taxes on the top 10% are lower than ever; companies pay 0% in taxes; budget cuts and job losses create a crisis for most people. We see a problem and want to reign in excesses.

Our concerns are both social and economic/political. Concern for wealth inequality is social. We should re-educate ourselves as a people. We have no specific demands. There are so many problems. We criticize the ways in which Americans have changed in their attitudes towards debt. We've become too dependent on credit. Occupy Minnesota pointed out that the banks had run themselves into the ground asking what happened to their sense of responsibility. Their CEOs had done fine. Occupy Minnesota asks how are the 90% of us to be treated? They left to join an "occupation" of a house under foreclosure by US Bank in South Minneapolis.

Marianne Stebbins from the Ron Paul Campaign agreed. She focused on the role of the Federal Reserve and its policy of cheap money, which underpriced money and encouraged excessive borrowing. As a result, the middle class assumed a level of debt no rational market could sustain. As of 2003, Ron Paul was saying such a course was not sustainable, that it would not end well, as no increase in productivity could support the boom. The quality of life in this recession is better than in the Great Depression. People are not going hungry, but she agrees that we will not turn a corner for a long time to come. The backbone of a robust economy is small business and they are not being financed or finding markets. Large corporations can deal with lots of regulations, but not small businesses. We strengthen the economy by limiting burdens. Education is not a solution because it's too expensive. There are no market price controls with student loans subsidized by government.

Walter Hudson of the Tea Party agreed that the Tea Party and Occupy Minnesota have similar complaints reacting to systemic disorder, but noted that they have divergent ideologies on human nature and political philosophy. The central issue is the use of force - government - to obtain outcomes. This notion is not consistent with our national character, as the Founders sought to use civil government to protect individual rights. The ideal is freedom to act on your own judgment for your own happiness. Productivity, not moderation, is the basis for virtue and social justice. The current polarization is caused by increased nationalization of our political system. The federalist system was a basket weave of different strands separated. For 100 years, progressives have tried to solder those strands together into a seamless fabric. The political structure has, therefore, become rigid, brittle and there is a great contest to control the powers of government - a struggle with high stakes and little sense of community or love. For the Tea Party, the purpose of government is to remove force and bludgeons from individual lives. It is part of human nature to want to be better, to have more than others. Government should work in harmony with human nature, not against it.

A comment was made that politicians put themselves up for sale, that they care more about major supporters than how people make their wealth. Business practices changed in the 1990's. Banks provide a public good and should grow businesses, not gouge their customers, noted an investment manager. Yet, such trends do not capture the change in values that started in the 1960s. A return to responsibility is needed on the cultural level.

With the coming retirement of Baby Boomers, we will need new paradigms. The old models of left and right no longer make much sense.

Discussion produced agreement on the impact of the cost of post-secondary education - college graduates burdened with over \$100,000 in debt. What kind of starter jobs are there that can help them pay down such debt?

A perspective from Occupy Minnesota was that the drop-out rate from inner city high schools is high. Schools do not engage students who see no future for themselves in the economy. If they are to stay motivated, they need to feel that they will have a place in society. More job-training and apprenticeships are needed, not an overemphasis on the need to go to college.

But, came a response: working class jobs are gone. There are only college-qualified jobs and menial jobs available. Yet, a bartender in Duluth can make \$50,000 a year with no college degree being required.

Worker's rights, unionization and wages have all declined in recent decades. Moving production to low regulatory environments is responsible for this trend. Illegal immigration is sustained by employers seeking to cut costs by skirting labor laws, said both the Tea Party and Occupy Minnesota. Sixty one percent of Minnesota cows are now milked by Hispanics. Globalization has put pressure on some factors (labor, for example), but not on other (access to cheap imports and capital from China, for example).

A comment was made that lack of income was particularly striking among African Americans, who now have the highest unemployment rates ever. A response pointed out that there is no simple solution - networks to access jobs don't work so well in African American communities. Many African American women don't see African American men as reliable life partners, so family formation is weak.

Regulations on use of water and separation of compostables make for arduous efforts to start a small business. In Northern Minnesota, the wealthy buy up land for their playground, then change the rules on land and water use to the detriment of those who have been living there. On the other hand, such regulations are trying to deal with a public burden of short-sighted use of the environment.

Walter noted that capitalism is moral, in-so-far as it permits individuals to access and follow their own values. Each individual should be permitted to do what they want. Power distorts this when some can buy special protection from government. No one should be able to purchase the government for their personal use. Marianne noted that government policies towards the financial sector - too big to fail - created a moral hazard and lowered the cost of risk, so too much risk was assumed. She objected to forced wages. If the compelled wage is too high, no jobs will be offered and having a job is better than not having one.

There was no objection to the observation that American property rights are better understood as access to opportunity than as an entitlement to income.