American Economic Inequality and Immobility and Its Impacts on Society

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Introduction

Economic inequality and immobility have slowly but surely emerged at the forefront of journals and essays over the past several years, and have even appeared on several occasions in the news as well. While many Americans may think they have an informed idea about the scope and repercussions of these issues, the true magnitude of economic inequality and immobility are more extreme than many realize. The profound impacts of inequality and immobility permeate virtually every aspect of society as a whole, from education to crime to healthcare and beyond. This paper explores the extent of American inequality and immobility. It examines trends in economic inequality and immobility, and analyzes some historical instances of notably high levels of inequality and immobility. It evaluates the consequences which appear to correlate with high levels of these phenomena as well. Ultimately, this paper strives to determine whether economic inequality and immobility is as damaging as many economists argue it is, and specifically identify how it may threaten the social and political fabric of a democratic society.

Before exploring these aforementioned ideas, it is important to specifically define what economic inequality and immobility exactly are. According to The Equality Trust, economic inequality is the measure of differences among individual's and households' different positions among the economic distribution. The Equality Trust goes on to outline three main types of economic inequality. First is income inequality which "is the extent to which income is distributed unevenly in a group of people," ("Economic Inequality Defined"). Income is described as the money received, not just through pay, but through employment (including pay, bonuses, salaries/wages, etc.), as well as money received from investments and/or rent. The second main type of economic inequality is pay inequality, which includes payments from employment sources, and mostly refers to frequency of payments and bonuses ("Economic

Inequality Defined"). The third main type of economic inequality is wealth inequality, which entails the unequal distribution of assets (financial, as well as housing and pension rights) among individuals and households ("Economic Inequality Defined"). Now that the three main types of economic inequality are identified, it is important to examine how they are measured.

Economic inequality can be measured using several methods. Ratio measures and the Palma ratio are often used to determine the economic inequality of a society or country ("Economic Inequality Defined"). The measure most used for purposes of this research is the Gini Coefficient, "which measures inequality across the whole of society" ("Economic Inequality Defined"). The Gini coefficient ranges on a scale from 0 to 1, where 0 represents a completely equal society and 1 represents a completely unequal society. That is, if one person had 100% of a given society's income or wealth, the Gini coefficient for this society would be equal to 1, whereas if everyone got exactly the same share, the Gini coefficient would be equal to 0. The Gini coefficient can be used to measure inequality both before and after tax and before or after things like housing costs, and its value will vary depending on what is being measured ("Economic Inequality Defined"). Through this paper, Gini coefficients will be used to quantify the general inequality levels of certain countries.

While the United States and many societies around the world have been experiencing increasing levels of economic inequality, economic immobility is also developing in tandem with inequality. In fact, this paper argues that they are not separate phenomena but very much intertwined parts of each other. The education technology company, Boundless, describes economic immobility as a measurement of how capable a participant in a system can improve or move vertically through the economic system. Boundless elaborates that the concept of economic mobility is also often considered in conjunction with social mobility, which is the capability for individuals to change social status within a society. This ability to move vertically up the socioeconomic ladder (or lack of opportunities to do so) is an increasing concern in the eyes of many economists, and is an issue developing in concert with widening economic inequality.

Societal Impacts of Economic Inequality and Immobility

While many academics, politicians, and economists condemn inequality, there are also those who deem it a necessary part of a healthy and growing economy. One of the potential benefits associated with economic inequality is that inequality drives growth. A prime example of this argument is China and its rapid growth over the past few decades. During the late 1970's communist China had one of the lowest levels of economic inequality in the world, ranking similarly to the most egalitarian Nordic countries of today (Lu). In this case, however, China's inequality was not necessarily a good characteristic, as the extreme majority of the country was "utterly poor," housing 22 percent of the world's population, it was responsible for only 3% of global GDP (Lu). However, in 1979, the Chinese government introduced a series of policies designed to stimulate the economy, and in the years that followed, Chinese annual GDP growth rates rose from 5.3% in 1979 to more than 15% in 1984 (Birdsong). While the growth rate fluctuated in the years that followed, China has maintained one of the highest GDP growth rates in the world since the 1980s (Birdsong). As a result of these reforms, during this period of rapid economic growth in China, the inequality levels in the country have skyrocketed (Birdsong). Today, China has one of the highest wealth disparities on the planet, however they have also rapidly evolved into one of the world's largest and increasingly wealthy economies (Birdsong). China seems to exemplify the idea that inequality is and growth are positively correlated.

Additionally, here in the United States, a similar pattern has been developing in recent years. During the economic expansion the U.S. experienced in the years prior to 2008, wealth disparity in the U.S. grew (Birdsong). Between 2007 and 2008, as the recession began, both growth and inequality rates fell, though as the American economy recovered and began to grow again in the years following the recession, inequality began to rise once more (Birdsong). A potential explanation for this phenomenon is that when inequality is more pronounced, it provides stronger incentives for innovation and entrepreneurship (Birdsong). When there are large differences between large-salaried executives and lower income workers, there are more incentives for these lower wage-earners to create new businesses or invent new products to become members of the highest income group (Birdsong). When there is less inequality, these incentives are far weaker (Birdsong). In this way, there is certainly a case for the correlation between inequality and a drive for innovation and success. This said, many studies and analyses suggest that perhaps income inequality is toxic to growth. In fact, a great deal of economists believe the contrary, that economic inequality drag down economic growth, and claim that the extreme levels of economic inequality experienced on the eve of the Great Depression and Great Recession contributed to these economic catastrophes (Maloney 1). While there is still some uncertainty regarding the exact relationship between economic inequality and economic growth as a whole, perhaps small levels of economic inequality contribute to growth.

Another idea which favors the presence of, and perhaps even importance of economic inequality is related to the concept of fairness and natural economic markets. Many people also claim that inequality is fair and natural in that unconstrained markets tend to naturally promote some inequality (Birdsong). To many, especially the wealthy, redistribution policies are unfair, and are viewed as taking from those who have been successful in accumulating a lot, and giving to those who haven't been so successful in doing so (Birdsong). State intervention into naturally occurring market and economic forces "disrupts the moral rights of independence and individual freedom" (Birdsong). In terms of the noted correlation between economic growth and inequality, the presence of inequality and its effects on incentives and innovation, and of the unnatural, and to some degree, unfair, state-led redistributive policies, inequality is viewed as a necessary, natural, and even beneficial force.

While undoubtedly some degree of economic inequality is natural and necessary for an optimal market economic system to function to its potential, growing arguments suggest that inequality is ultimately a very bad and destructive force, especially when present in high quantities. As mentioned previously, some inequality has been associated with growth, however economists have found evidence that when inequality is high and remains high, long-term growth is stifled and poverty levels tend to rise (OECD). A possible explanation for this hampering of economic growth is that as prices for food and other basic goods rise and incomes for most people shrink, poverty levels increase, leading to increases in crime and poor public health which place burdens on the economy (Birdsong). Additionally, the wealthy gain increased political power over the poor through their political donations and influence of their businesses, which leads to inefficient tax structures which favor the wealthy (Birdsong). Growth-hindering, rent-seeking practices become more commonplace (that is, activities which seek to exploit others and take wealth from others, often the poor, instead of creating wealth through innovation or entrepreneurial methods), and political stability becomes endangered when the rich-poor gap rises, threatening economic stability and development (Birdsong). Furthermore, investment in human capital becomes increasingly unavailable and physical capital becomes more scarce, as fewer people have funds to invest in training, education, etc., which often leads to a stall in economic growth (Birdsong). In this high inequality environment "market demands increase for risky unsecured loans, which increase lenders' risk exposure to the borrower's default," and also contributes to market volatility and the possibility of cascading defaults such as the 2008 subprime mortgage crises, ultimately suppressing growth (Birdsong). Whatever the precise explanations for hampering economic growth, it is generally confirmed that high inequality negatively impacts growth, and the OECD has outwardly declared inequality as an enemy of economic growth, suggesting more constructive policies, especially in regards to equal educational opportunities, as a way to combat economic inequality and promote greater economic growth (OECD). In these ways, the threat to long-term growth that inequality brings appears to outweigh the short-term gains which it may offer.

But hampering economic growth is not the only damage economic inequality can inflict on a society. Higher levels of inequality are also associated with higher crime rates (Fajnzylber 4). Some findings even suggest that economic inequality is "the single factor most closely and consistently related to crime" (Birdsong). Studies confirm that indeed, inequality as measured by the Gini index "has a significant and positive effect on the incidence of crime," (Fajnzylber 25). Researchers propose several explanations for the correlation between inequality and crime. One possible explanation is that those at the lower end of the inequality spectrum may feel trapped and angry at the lack of opportunities and competition over scarce resources which may make them more likely to commit crimes (Birdsong). Secondly, the option of lawfully obtaining resources in unequal societies tend to be fewer and yield much fewer benefits than illegal and criminal action could provide, even when considering potential consequences for breaking the law (De Soto 3). Additionally, in societies where the rich-poor gap is considerable, the rich tend to congregate and live together in areas secluded from the poorer parts of society (Birdsong).

These rich neighborhoods or countries have more money for law enforcement than do poorer ones, leading to increased crime in poorer areas due to an insufficient number of law enforcement personnel, or officers who are more susceptible to bribes and corruption (Birdsong). Naturally, this sensation also leads to more law enforcement personnel to seek employment in these richer enclaves, leaving fewer and less-experienced personnel to work in the poorer, more crime-ridden areas. In fact, in countries with high levels of economic inequality, state investments in reducing inequality have proven more successful at reducing crime rates than increased spending on law enforcement (Birdsong). But the harmful effects of prevalent inequality don't end with hampered growth and increased crime, unfortunately.

Evidence suggests that high levels of economic inequality also contribute to a less healthy population. A large poor population, a defining characteristic of unequal societies, tend to have disproportionate access to quality healthcare and healthy food options, leading ultimately to a less effective workforce, higher health care costs for society, higher disease and mortality rates, and sadly, continually deeper poverty for afflicted households (Birdsong). Studies conducted across industrialized countries show that substantial portions of the population, especially in the United States, don't have access to fresh foods, and when there are healthier options, they are often too expensive for many individuals and households to afford, especially compared to unhealthy options (Birdsong). Furthermore, "A large gap between rich people and poor people leads to higher mortality through the breakdown of social cohesion," and as inequality rises, residential enclaves of rich and poor become more commonplace which diminish opportunities for social cohesion according to Doctors Kawachi and Kennedy of the Harvard School of Public Health. As inequality has risen in the U.S., so too has obesity, diabetes, and rates of other diseases, placing strains on the work force and adding up to massive heath care costs, while also raising mortality rates and decreasing Americans' quality of life (Birdsong). Health care costs in the U.S. have been sky-rocketing, totaling $75 billion in 1970, $2.6 trillion in 2010, and expected to reach $4.8 trillion in 2021, with obesity and poor diets reportedly contributing significantly (more than $150 billion per year) to this massive cost (Birdsong). Poor Americans are especially vulnerable to health problems, as Americans living in poverty are more likely to be obese, and twice as likely to die from diabetes (Birdsong). The prosperity of society as a whole suffers as a result of the health problems of the poor, due to the costs mentioned above, lost productivity, higher life insurance premiums, and a strain on public service (Birdsong). Not only does an unhealthy society equal a poorer, less prosperous society, but it also hinders the quality of life and life span of the population.

Politics and education are also negatively affected by high inequality levels. When wealth becomes concentrated in an increasingly small number of hands, political inequality tends to result in addition to economic inequality, as the fairly small group of people at the top of the wealth spectrum tend to wield more political power. The wealthy are able and incentivized to manipulate the government through both legal and corrupt practices, while the poor and working classes yield little influence (Birdsong). As a result of increasing economic scarcity, these poor and working class individuals are unable to become educated or participate in the political process, as they spend more time at work and use their additional time and money to secure basic necessities (Birdsong). Additionally, because lower-income individuals and households have virtually no influence in politics, as politicians are much more responsive to the wealthy members of society, they are further discouraged from voting or participating at all in the political process or learning more about the political system (Birdsong). While the political system certainly becomes corrupted when inequality rises, the same is true of the education system.

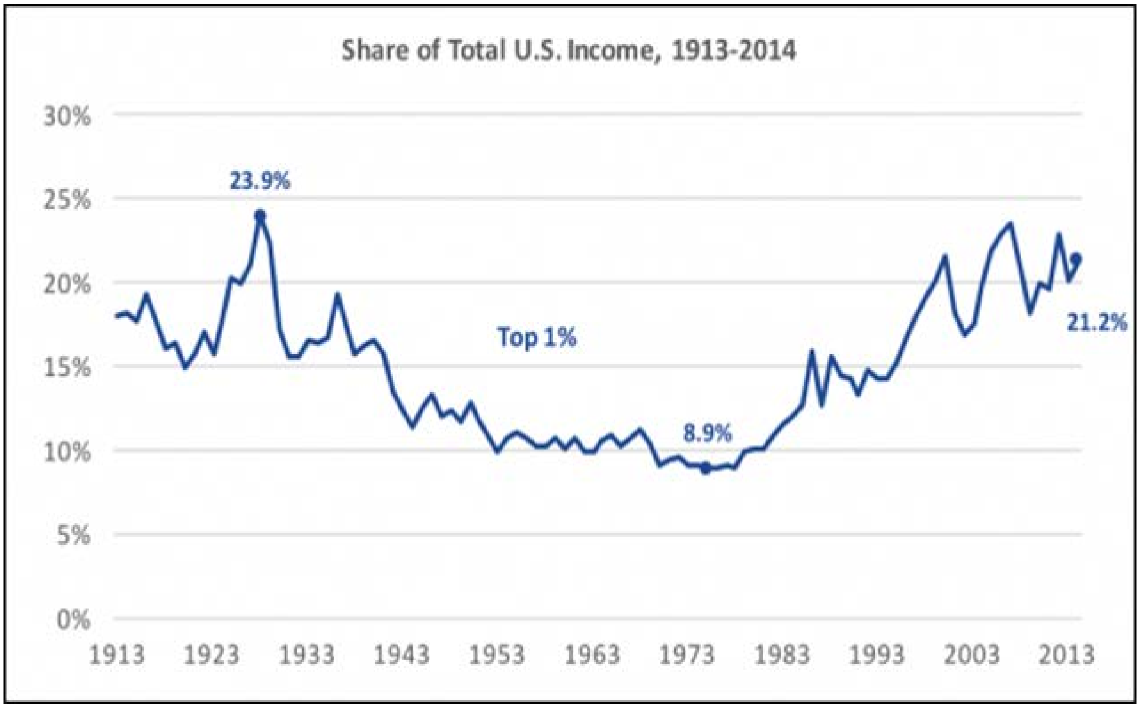
In countries and regions where economic inequality and immobility are prominent, the manifestations regarding education are quite pronounced. A one point increase in the Gini coefficient translates into a 10% decrease in high school graduates and a 40% increase in college graduation rates (OECD). These data show that in economically unequal societies, the average education level of society as a whole decreases while the number of academic elites increases (Birdsong). In fact, researchers in China found that income inequality directly leads to educational inequality (Yang). Furthermore, studies indicate that expansion of education is beneficial in reducing both income and educational inequality (Yang). While there does not seem to be a strong correlation on changes in educational inequality affecting income inequality, income inequality has a strong negative impact on educational equality (Yang). As income inequality increases, educational equality decreases, which becomes detrimental to growth, and contributes to an increasingly unequal society in a vicious cycle, as the majority of people are hindered by their lack of education, while the academic elite becomes increasingly concentrated and powerful. In countries with higher inequality and with large poor populations, there tends to be an absence of investment in education which further feeds the inequality. In countries like Bangladesh, young people and children are employed in factories and sweatshops, which help provide needed support for their poverty-stricken families (Birdsong). Because these children need to work to help their families, they are unable to attend schools and reach higher levels of education, hampering their future earnings potential and further perpetuating the poverty cycle in countries like these (Birdsong). This problem is, at least in part, a result of the tendency for unequal societies to invest less in public education, as the influential wealthy prefer to send their children to private schools, and resist taxes for public education (Stiglitz 93). In these ways, high economic inequality tends to have a detrimental effect on educational equality.

While there is some substance to arguments which contend inequality is a good thing in terms of fairness and GDP growth, the damaging impacts of inequality are notably more severe. High levels of inequality and immobility result in “increased rates of crime and violence, impeded productivity and economic growth, and the impaired functioning of representative democracy,” (Kawachi, Kennedy). In highly unequal societies, long-term GDP ultimately suffers, and even while GDP may increase temporarily in the short-term, virtually all of the wealth accumulation goes to the richest members of society, and the average standard of living and wages for society as a whole tends to decrease, as happened in the United States during the 2000s and early 2010s (Stiglitz XII, XLI). Public health and education also suffer as a consequence of high inequality, and crime rates tend to increase along with political instability. Inequality is, by definition, lack of equal opportunities for all, especially for those who need it the most (Birdsong). Economic inequality is particularly alarming when individuals and households are unable to advance socially and economically, as this becomes a turning point in terms of political and social power, and sows the seeds to untangle the virtues and values of the social and political systems which lay at the foundations of free, capitalist societies through poverty and corruption.

Exploring Trends in Economic Inequality

Recent trends in the levels and degree of American economic inequality seem to paint a bleak picture for the country’s future. In his book, *The Price of Inequality*, Joseph Stiglitz identifies recent trends in inequality and immobility levels, and expresses his concern over such alarming trends. He notes that 35 years ago, the top 1% of income earners had “only” 12% of the national income, a figure which is rather alarming to economists such as Stiglitz in its own right (Stiglitz 5). However, he notes that the disparity has grown dramatically since then, as by 2007 on the eve of the recession, “the average after-tax income of the top 1 percent had reached $1.3 million, but that of the bottom 20 percent amounted to only $17,800,” (Stiglitz 5). He goes on to declare that the top 0.1 percent of income earners receive in a day and a half what the bottom 90 percent accumulate in an entire year, and the top 20 percent of income earners earn after taxes more than what the bottom 80 percent get combined (Stiglitz 5). Furthermore, Stiglitz brings to light some of the significant tax cuts that the top wealthiest few percent of income earners have received over the past several years, all while the middle and poorer classes must pay a greater share of their income, dropping the savings rate to a record low of roughly zero among these classes (Stiglitz 89). Clearly, these findings bode ominously for the majority of Americans. **[talk more about pages 89-90, 117] [also look at the 3 website sources and include graph].**

But Stiglitz is not exaggerating when he speaks of the tremendous rise in economic inequality the United States and other nations have been facing. Such inequality has indeed been rising for years, since the mid 1970s, and has now reached levels unseen since 1928, as the country was teetering on the brink of the Great Depression. In 1928 the top 1% of families received 23.9% of all pretax income, while the bottom 90% received 50.7% (Desilver). After the Great Depression and World War II, the income distribution of the country was leveled out considerably, with the top 1% receiving 11.3% of income in 1944 and the bottom 90% receiving 67.5% of income (Desilver). These percentages remained more or less stable for the following few decades, until roughly around the mid to late 1970s (Desilver). Today, the top 1% take in around 23% of the nation’s income while the bottom 90% receive roughly 49% of the income, the first time ever recorded where the bottom 90% of income earners receive fewer than 50% of the national income (Desilver). The following graph tracks the percentage of the top 1% of



income earners' income over the past century or so, up until 2013:

There is no denying the dramatic rise in economic inequality in American society since the 1970s. As the few at the top continue to receive an increasingly larger slice of the pie, a growing number of households on the bottom have seen their income and wealth stagnate in recent years. Indeed, for Americans in the bottom 50% of the income distribution, their incomes have not risen (when accounting for inflation) since the end of the 1970s, while the incomes of the top 10% of earners rose 121%, the incomes of the top 1% rose 205%, and the incomes of the top .001% increased by a staggering 636% during this same period (Pikkety). From 1980 to 2014, "none of the growth in per-adult national income went to the bottom 50 percent, while 32 percent went to the middle class (defined as adults between the median and the 90th percentile), 68 percent to the top 10 percent, and 36 percent to the top 1 percent," (Pikkety). As a result of the stagnation of incomes for the bottom 50%, "the share of national income earned by the bottom 50 percent collapsed from 20 percent in 1980 to 12.5 percent in 2014. Over the same period, the share of incomes going to the top 1 percent surged from 10.7 percent in 1980 to 20.2 percent in 2014," so while half of American income earners lost their share of the national income, gains in the top few percentiles of income earners soared, representing a transfer of income and wealth from the majority of typical Americans to the top few members of American society (Pikkety). Clearly, these levels of inequality are indicative of an economy which is not performing for the majority of the citizens which power it. Unfortunately, issues of inequality along with other shifts and changes in the nature of the country's economy seem to suggest that the issue of inequality and immobility will only continue to worsen, endangering the overwhelming majority of the population's economic security and standards of living.

Specifically, the issue of automation and the advancement of technology are expected to exacerbate economic inequality and immobility. There is an increasingly legitimate concern that due to the rapid advancement of technology, automation, and artificial intelligence, virtually everyone across a wide array of industries will lose their jobs, which would drive incomes down for those who still maintain their jobs, while also potentially creating a "permanent underclass of unemployable people," (Checco). Ordinary, average workers in most industries are the most likely to lose their jobs to automation, while those with highly specialized skills or knowledge are likely to hold onto their jobs moving into the future (Checco). In a future with mass automation and intelligent technology, social order will be drastically affected and inequality will be severely amplified if no mitigative actions are taken.

The level of inequality in American society appears to be an active and growing threat to the nation's democratic values. According to French economist Thomas Piketty, inequality "threatens to destabilize democratic society itself and turn us all back into serfs," (McKay). Piketty's extensive study found that in 2013, the average CEO made 331 times as much as the average worker in the United States, with CEO pay averaging $11.7 million and worker pay averaging $35,239 (McKay). Piketty also found that the poorest 20% of Americans pay roughly 12% of their income in taxes, while the top 1% pay about half that (5.6%), indicating the very real political implications of such potent inequality (McKay). American democracy is undeniably becoming threatened, as Washington is increasingly protecting the interests of the wealthy elite at the expense of poorer Americans and the middle class. The level of inequality that exists in the United States creates economic immobility as well, as Piketty's study realizes that the economic atmosphere in the United States is favorable for the formation of oligarchies and inherited wealth forming the most powerful elite of society, a conclusion which many renown economists tend to indicate as valid, such as Paul Krugman (McKay). Further evidence of the formation of this democratically unhealthy political structure is highlighted by the results of a recent Princeton study, which found that "the opinions of the average American voter compared to interest groups and Americans at the 90th percentile of income and up had only a 'minuscule, near-zero, statistically non-significant impact' on policy outcomes," (McKay). Essentially, ordinary and poorer Americans have basically no say or influence on the political happenings and decisions in the country, while the voices and opinions of the very rich have stronger impacts on politicians and their decisions. American society, along with several other nations around the globe, are on a path of inequality which, if unchecked, could lead to potential social deterioration and massive societal upheaval and turmoil.

Historical Instances of High Inequality and Its Implications

Historically, high levels of economic inequality and immobility have been times when democracy has been weak and corruption and social distress have run high, or which have proceeded periods of economic turmoil and hardship. Looking back through the last century, economic inequality peaked in 1928 before the Great Depression and in 2007 immediately prior to the Great Recession and financial crisis, according to the findings of professors and researchers Emmanuel Saez and Thomas Piketty (Barsocchini). Economist Paul Krugman theorizes that this connection occurs because the working class needs to borrow large amounts of money since more money generated by the economy goes to the very rich rather than to the middle and lower classes (Barsocchini). Furthermore, the top wealthy members of society spend, causing the next wealthiest households to spend, and so on and so on, which is unsustainable in an economy where the incomes and wealth of the rich are growing significantly faster than everyone else's (Barsocchini). Another theory hypothesized by former United States Secretary of Labor, Robert Reich, is that as the wealthy accumulate more money, they want to invest more. A great deal of this money is poured into speculative investments which leads to the creation of huge bubbles which eventually burst (Barsocchini). Another connection between inequality and economic crashes occurs when enough wealth becomes concentrated into a few hands, the wealthiest elite of society are able to buy off or lobby politicians, repeal regulations, and influence regulators to be more lenient on certain transactions and acts by banks and financial institutions, which may end up undermining the financial system and the economy as a whole (Barsocchini). The wealthy can also invest in the creation of think tanks and endowments of economics professors, as well as in the appointment of government positions which will profess their ideologies and continue to push the idea that" the economy is stable and ok" even when it may not be completely sound due to deregulation or other actions mentioned above (Barsocchini). In addition to all these abilities of the wealthy, they may also be more successful in lobbying to politicians and regulators to skew the tax code and other laws that may help them grow even wealthier, fulfilling the “vicious cycle” of inequality leading to further inequality in the absence of any direct policy changes or action to counteract this phenomenon. An economy based on consumption needs consumers, and when too much wealth is concentrated at the top, the majority of the population needs to take on debt to sustain their lifestyles. If they don’t have the money to spend and consume, demand for many basic products and goods falls, apart from yachts and products the very wealthy buy, making it difficult to sustain a healthy and growing economy. This is not to say that inequality directly causes economic crashes, though there is certainly enough evidence indicating a positive correlation between inequality and crashes.

Looking at historical instances of high inequality around the globe, there is an abundance of evidence which suggests that times when economic inequality and immobility are high correlate with an overall less prosperous and successful society. Today, the Unites States can arguably be labeled a plutocracy, an economy which is powered and driven through the extremely wealthy, similar to the following historical examples. In plutocracies, which are fairly rare, with only a very few instances of plutocratic societies occurring every century, the wealthy come to dominate and corrupt the political process, and drive not only the economy, but the policy of a given society (Sommerville). An excellent example of a past plutocracy is 17th century Spain. During this time, Spanish society was extremely inegalitarian, as the nobility were not only far wealthier than the ordinary Spaniard, but also had special legal privileges, such as being exempt from many taxes (Sommerville). Of course, this type of special treatment and tax exemption only further increased inequality and produced a huge burden for the average member of Spanish society, ultimately producing a great deal of stress and a burden on Spanish society as a whole. The majority of society was taxed highly, in the midst of a slowing economy, keeping the population struggling financially, while the rich were subject to no taxes or virtually any financial restraints, allowing them to further build their wealth. The 17th century was a time of decline in the Spanish empire, and although soaring levels of economic inequality and immobility were not the sole contributors to this decline, they played a large role in undermining the Spanish social and political fabric, and contributed to the destabilization of the Spanish economy.

Han China is another blatant example of inequality and immobility reaching levels of plutonomy, ultimately playing a role in the corruption and demise of the empire. In the Han empire, “resource concentration at the top of society was greatly amplified by rent-seeking and predatory behavior that was commonly linked to privileged access to governmental functions and institutions, [and the] exercise of or proximity to political power were crucial means of elite enrichment,” (Scheidel 1). The wealthy, over time, and through increasingly accumulating more and more assets, came to essentially dominate the government of the Han, and enacted policies which only further strengthened their political influence over the rest of society. In fact, the wealth and power of the elite continued to grow as the Han dynasty progressed, all at the expense of the general population, as the early attempts of redistribution of land and policies which favored growth of the middle class by placing some land and asset restrictions on the rich were met with “resistance among the powerful [which] had become too strong to overcome,” (Scheidel 3). Consequentially and progressively, “it became easier for the rich and well-positioned to accumulate assets by purchasing or occupying land and by dominating the poor,” through slavery or economic dependence of the wealthy (Scheidel 3). Occupying high government offices was a means of securing huge amounts of wealth and power, especially in the Eastern Han dynasty, as high-ranking officials and governors enjoyed millions of dollars worth of cash on an annual basis and special legal protections such as not being allowed to be arrested without approval of the emperor (Scheidel 5). As the wealthy class merged with the wealthy governing members of society, further corruption and inequality exploded. Wealth concentration became astonishingly concentrated in the very top of society, clustering around the ruling lineage (Scheidel 7). The strong connection between wealth and power is clear in Han China, and its effects resulted in a huge poor population with an exclusive and powerful elite.

The increased power and wealth of prominent figures and families quickly accelerated during Han times, while the majority of society remained stagnant in socio-economic terms, and were oppressed by the wealthy leaders for the duration of the Han dynasty. The relatively small elite of the Han consisted of government officials, large landlords, and commercial investors, with many of the members of this class experiencing considerable overlap among these titles (Scheidel 8). The restoration and progression of the Han dynasty shifted the balance of power in favor of the wealthy elite, as rulers and elites sought to accommodate each other and “strove to obtain and privatize income by both legal and illicit means,” (Scheidel 8). Hereditary privilege in state access helped to reinforce this process, which contributed to the more or less permanent possession of great assets in the hands of relatively few lineages at the top of the government and economic structures (Scheidel 8). A major factor which lead to the evolution of inequality as the Han period progressed was “an extended period of peace that allowed the concentration of wealth at the expense of smallholders,” (Scheidel 8). As the Han period progressed, the principle that political power served as an important source of elite income and wealth and a key determinant of its distribution within the top tier of society only became reinforced (Scheidel 8).

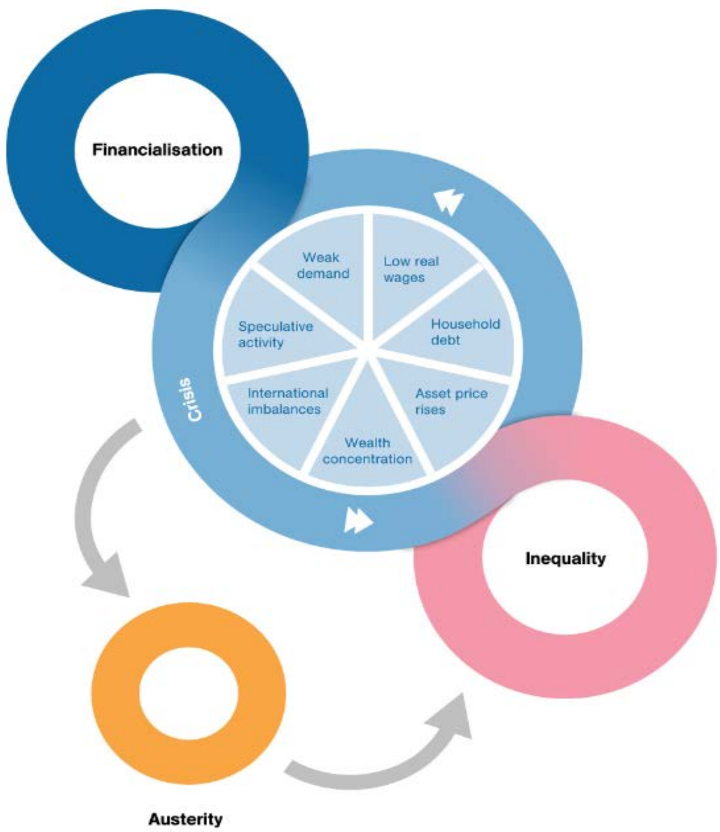
Ultimately, in addition to external threats, the Han Empire collapsed as the top tier of the ruling elite competed for power and extravagance, coupled with a chronic shortage of tax revenue from an increasingly poor and relatively landless populous.

This culture of inequality and the overlap between government and the wealthy elite has pervaded and survived well beyond the Han dynasty, and to some degree, has survived to modern times. Each successive dynasty, Scheidel writes, continued to fail at solving or truly suppressing this plutonomy-like system, as in each ruling government, “new elites of supporters were put in place that combined political influence and personal wealth,” (9). In recent years, there is evidence of a remarkable resilience of such practices. Zhou Yongkang, a former member of the Standing Committee of the Politburo, the highest decision-making body of the Chinese government, had acquired 326 properties spanning across the country that were worth $1.76 billion in addition to $6 billion deposited in hundreds of bank accounts belonging to him and family members, plus an additional $8.24 billion in securities (Scheidel 10). Upon his arrest in 2014 for a series of corruption charges, banknotes worth a further $300 million and stashes of gold were found in his various residences (Scheidel 10). Among the arrests, an entire ton of cash was found inside a general’s mansion, and even a mid-level water-supply official in a resort town “popular with party leaders managed to accumulate real estate and cash worth over 180 million dollars,” (Scheidel 10). These arrests and discoveries reveal that even today, inequality and the cozy relationship between the richest members of society and state officials and policy-makers in China is still alive.

In the end, imperial income inequality and wealth polarization were never directly and successfully addressed nor resolved in Han China, 17th century Spain, or in a myriad of other historical examples of such pervasive inequality and immobility. These societal ailments were only truly terminated or diminished by the dismemberment of the state through conquest, state failure, or wholesale systems collapse, all of which are ugly and often violent processes (Scheidel 19). These instances in the premodern world offer virtually no peaceful and effective ways of combating such entrenched inequalities and disparities in upper society and government (Scheidel 19). Even when these empires collapsed, such inequalities tended to merely be reset, quickly building their ways back into societies and intertwining the government and political processes that developed in their wake (Scheidel 19). In these examples, inequality and immobility, and the effects they have in the political and governing systems of different civilizations, appear to be overbearingly negative and inefficient for the operation of a "clean" state which builds a society with wide-spread success for most of its members. Moving forward, social, political, and economic consequences born of high inequality and immobility are examined, with the recent financial crisis serving as an important context for this evaluation.

Social and Political Issues Which Arise From Inequality and Immobility

One of the major concerns of inequality is that it creates an economy, and thus society, that is dysfunctional by failing to reward those being productive and powering it. Instead, such an economic system only rewards a select few at the top of the socio-economic spectrum. Rising economic inequality, upon study, was a major driver of the financial crisis, with clear "links between inequality, the growth in scale and influence of the financial sector, and the dangers for financial stability," (Martin). In the years leading up to the 2008 crisis, and again today, earnings for the top 10% increased by around 4%, with earnings for the bottom 90% falling -2.4% (Martin). To maintain their standard of living, households in the United Kingdom are accumulating debt at a rate of 1 billion GBP per year, patterning behaviors of their American consumer counterparts (Martin). While globally wealth has been growing year after year, standards of living for the vast majority have stagnated completely (Martin). In the United States, the amount of wealth accumulated by the top has been particularly astounding, with "the top 1% of earners [reaping] 95% of the USA's economic gains since the [2008] crash," (Martin). Leading up to the 2008 financial crisis, the polarization of wealth and incomes fed asset bubbles and necessitated vast levels of household debt and risky financial activity in the wake of immense deregulation of the financial sector, which ultimately culminated in the crisis (Martin). The following diagram details several indicators of economic instability, each of which are fueled by inequality and

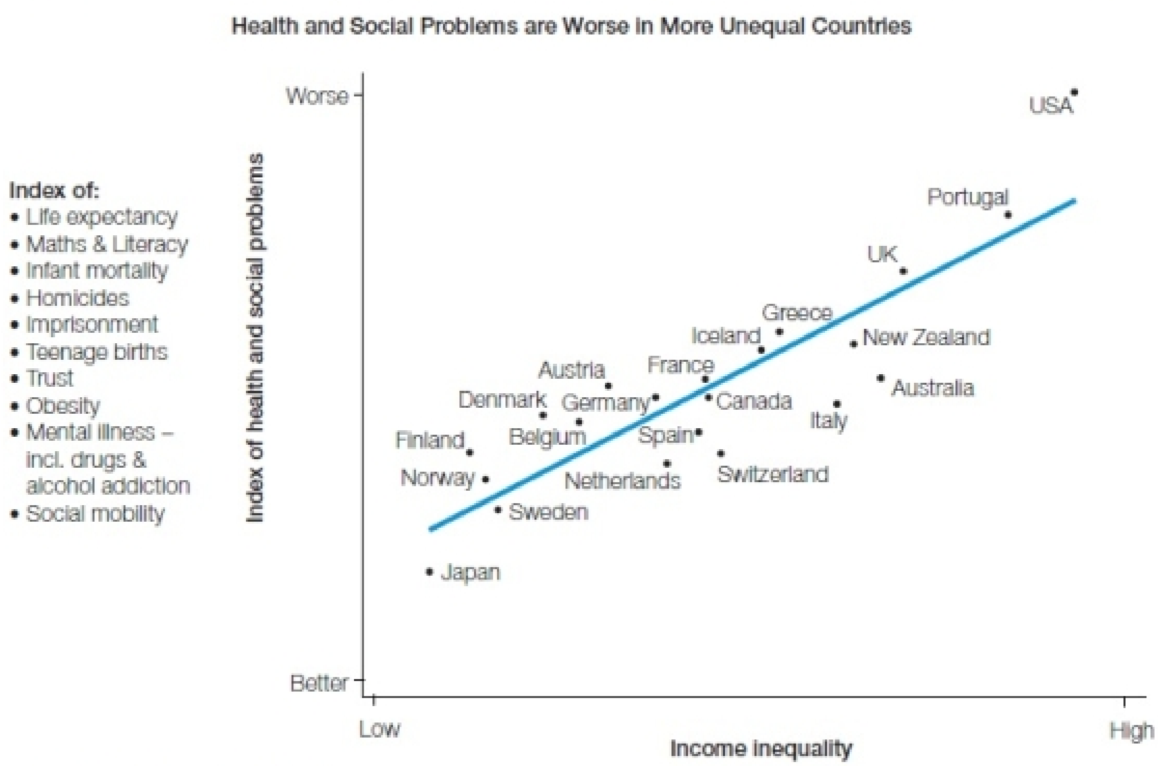


financialization of the economy (Martin):

There are several important takeaways associated with this model. Firstly, inequality depresses demand, as consumption depends more on the wages of the middle and lower classes than the profits and wealth of the rich (Martin). As mentioned previously, without a healthy middle class and fewer lower-income households, demand for basic consumer goods and consumer spending as a whole decreases significantly, and naturally a larger amount of poorer citizens means more dependence on government support and a wide array of social problems outlined in the introduction section of this paper, leading to increased stress on a society. Furthermore, in the face of stagnating wages, households depend increasingly on debt and rising asset prices, notably housing, which only agitates this situation (Martin). In addition, with financial liberalization, money can pour into countries with trade deficits, like the United States and the United Kingdom, which provides the funds for debt-led consumption (Martin). Finally, snowballing wealth at the top, leads to an increase in risky financial speculation (Martin). Clearly, inequality doesn't promote growth, but instead leads to economic, and by extension social, instability. When policies and systems that promote inequality are exercised and instated, and when wealth fails to trickle down as much economic data indicate it does, large amounts of debt is used as a way to make up for the gap between earnings and wages for most of society and their consumption and living standards, which is ultimately ineffective and unsustainable.

High levels of economic inequality and immobility also contribute to a great deal of social and political distress and conflicts, as alluded to above. Within any given society, those with higher incomes and wealth do better in a wide range of outcomes, from health to education. There is indeed a notable correlation between inequality and health and social problems according to the evidence from a range of studies (Rowlingson 5). Some evidence even suggests that inequality actually causes health and social problems independent of other factors, though more studies are necessary before reaching this conclusion (Rowlingson 5). A recent major study, the Marmot Review, found that people living in England's poorest neighborhoods "die seven years earlier than people living in the richest neighborhoods," and these inequalities go beyond life expectancy, but extend also to infant mortality, mental health, physical health, etc. (Rowlingson 8). Not only are there strong links between economic inequality and life expectancy among other health issues, but there is also a correlation between inequality and homicide and violent crime (Rowlingson 10). Social mobility has also been established as positively correlated with economic inequality, making the issue of inequality all the more concerning, as the more unequal a society, the harder it is to move up the socio-economic ladder. (Rowlingson 10). These findings demonstrate the seriousness of the implications of economic inequality.

The correlation between health and social problems and inequality is rather indisputable. The following graph tracks this correlation, measuring the incidences of life expectancy, math and literacy skills, infant mortality, homicides, imprisonment, teenage births, trust, obesity, mental illness and addiction, and social mobility across developed countries. Countries with the lowest levels of inequality fare the best in all these categories, with the most unequal countries exhibiting much higher rates in each of these categories. The United States ranks highest in inequality among countries of the developed world, and also much higher on the index of health and social problems, resulting in a less safe and productive society and a weakened state of democracy.



Source: Wilkinson and Pickett, 2009a

Apart from showing a correlation between several social and health problems and unequal societies, studies and data also tell a more in-depth story as well. The lower down an individual or household stands on the social and economic hierarchy, the less likely it is they will have control over their lives and opportunities for full social and political participation

(Rowlingson 13). Further studies indicate that autonomy and a lack of social participation contribute to a decline in overall health (Rowlingson 13). When comparing life expectancies, one measure of the health and prosperity of a society, the average American lives 4.5 years shorter than the average Japanese (Japan is a significantly more economically equal country than the United States) (Rowlingson 33). Furthermore, the poorest 10% of Americans have a life expectancy 45 years shorter than the poorest 10% of Japanese (Rowlingson 33). Even among the rich, however, the Japanese tend to live longer than their American counterparts, suggesting inequality negatively affects all members of society, including the rich, in addition to the society as a whole (Rowlingson 33). Additionally, in comparing Sweden (a very economically equal country) to the United Kingdom (a less economically equal country, though more equal than the United States), a study found that men in low-skill occupations in Sweden had lower mortality rates than those in professional classes in England and Wales, and “that infant mortality in Sweden was lower among ‘lower-class’ parents than it was among higher-class parents in the UK,” (Rowlingson 33). These findings clearly illustrate the hazards of inequality that are felt even among the ranks of the wealthiest members of unequal countries.

A final example of the negative health consequences of inequality on all members of society is demonstrated in the following chart. This chart compares the United States and England, the United States being notably more unequal than England.

Table 1. Self-reported Health by Education and Income in England and the United States, Ages 55-64 Years*

	England				United States			
	Low	Medium	High	Total	Low	Medium	High	Total
Years of Schooling, Percent Distribution								
Unweighted sample size	1745	969	967	**3681**	2293	1003	1090	**4386**
Diabetes	7.0	4.8	5.7	6.1	14.3†	12.3†	9.5†	12.5†
Hypertension	36.6	31.4	31.0	33.8	46.3†	40.8†	37.0†	42.4†
All heart disease	11.6	7.7	7.8	9.6	17.1†	14.8†	12.0†	15.1†
Myocardial infarction	4.5	3.6	3.4	4.0	6.7†	4.1	4.4	5.4†
Stroke	2.7	2.2	1.6	2.3	4.8†	4.2‡	1.7	3.8†
Lung disease	8.2	5.2	3.7	6.3	10.9†	8.3†	3.1	8.1†
Cancer	5.2	5.5	6.3	5.5	8.9†	10.0†	10.0†	9.5†
Income, Percent Distribution								
Unweighted sample size	1204	1212	1259	3681	1574	1484	1328	**4386**
Diabetes	7.3	6.7	4.4	6.1	17.4†	11.8†	8.2†	12.5†
Hypertension	36.7	34.6	30.3	33.8	46.3†	43.6†	37.1†	42.4†
All heart disease	13.7	8.7	6.5	9.6	20.0†	13.3†	12.0†	15.1†
Myocardial infarction	6.5	3.1	2.4	4.0	8.5	4.6	3.2	5.4†
Stroke	3.6	1.8	1.4	2.3	6.0†	3.8†	1.5	3.8†
Lung disease	8.1	6.4	4.4	6.3	13.2†	7.1	4.1	8.1†
Cancer	5.9	5.2	5.5	5.5	9.6†	9.6†	9.3†	9.5†

*English data are from the first wave of English Longitudinal Survey of Aging, and US data are from the 2002 wave of the Health and Retirement Survey. Within each country, weekly family income adjusted for family size is divided into 3 equally sized income tertiles with one third of the weighted population in each group. In the United States, the range of the middle income group is $322-$635 while in England the range of the middle income group is £127-£241. In the United States, education is separated into high school or less (0-12 years), more than high school but not a college graduate (13-15 years), and college or more (≥16 years). In England the 3-way education division is qualified to a level lower than "O-level" or equivalent (typically 0-11 years of schooling), qualified to a level lower than "A-level" or equivalent (typically 12-13 years), and a higher qualification (typically >13 years). All data are weighted.
†$P<.01$ vs data with England.
‡$P<.05$ vs data with England.

Regardless of what socio-economic class an individual falls within in an unequal country, they are almost always worse off than their counterparts in a more equal country. Even those with higher incomes fare worse than their counterparts in more equal societies across a wide range of indicators.

Conclusion

Pronounced economic inequality and immobility appear to ultimately be detrimental to the overall health of a given society, in virtually all senses (medical, social, crime, political, productive, etc.). While economic inequality, especially when it is contained and limited in its scope, may have some short-term and mild benefits to a society, almost all research and studies indicate that inequality is dangerous and destabilizing, not just for those at the bottom and middle, but even for those at the top as demonstrated by the above data. The implications of high and pervasive inequality and immobility ultimately contribute to a weakened, less representative society and government, and a system which fails to help the vast majority of people who power it economically.

The recent trends and predictions for inequality paint a rather bleak picture. Several instances across history, both in American and world history, show the harmful consequences and tremendous power of stark economic inequality. The social and political consequences are undeniable, and very undesirable for any functional society. While the harmful effects of inequality are known and its trends are recognizable, the question of how to deal with and contain it becomes critical. While the intention of this paper is not necessarily to offer solutions as much as to present findings on inequality and immobility and link these findings to social and political dysfunction, the following paragraph briefly covers possible counters to this threatening and serious problem.

General consensus among economists, such as Stiglitz, Krugman, and de Soto, suggest that the root of inequality can be attacked with policy. Policies enacted by lawmakers can concentrate on providing tax benefits for the poor and for small business, and generally promoting the construction of the bottom and middle classes. In other words, they should follow a “trickle up” ideology. Policies facilitating economic participation and inclusion for the poor are also critical in providing economic opportunities and growth for the lower and middle classes. By making healthy lifestyles, quality education, and financial aid available to areas where poor and middle class households don’t readily have access to these institutions, these households can be better positioned and poised to advance socio-economically. Redistribution of wealth is also often cited as a popular remedy to inequality. By taxing the wealthy at relatively high rates and giving that money to the poor in some form or investment or another, inequality is balanced and more mitigated. Finally, regulating large businesses and financial institutions, as well as enacting strict enforcement and penalties of individuals and businesses that act unlawfully, engage in risky behavior at the expense of others, or which do not act in good faith, will also help to control the risky profit-pursuing methods used by many members of the wealthy class and many businesses and banks which may jeopardize the financial well-being of the lower and middle classes, in turn, offering some stability to the economy, insulating it, at least to some degree, against economic crashes such as the 2008 crisis. Penalizing rent-seeking and other predatory tactics would be included in this approach. Still others, such as de Soto, opt for inclusive economic laws, property rights, intellectual protections, and support for small businesses, as well as laws and programs to assist in the incorporation of "underground" economies into the formal economy. These are some of the most common methods of combating economic inequality and immobility.

While a great deal of consideration must be taken when approaching the issues of economic inequality and immobility, and while many methods may be combated with heavy resistance, it is crucial that some action be taken to halt and reverse some of the trends the United States and other nations of the world are experiencing. The consequences of inaction can be easily foreseen in an abundance of historical instances. The threats to the health and functionality of society and American democracy are too great to remain idle or to regard these concerns with minimal urgency. For the sake of the future of the country and others which suffer from similar scenarios, and for the future of millions of Americans and for the country's economy and health as a whole, economic inequality and immobility must be addressed directly, swiftly, and effectively, and although difficult to combat, can be successfully treated with enough support and persistence.

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