Overcoming the Systemic Challenges of Wealth Inequality in the U.S.

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The 2016 U.S. presidential campaign and subsequent four years have been marked by unprecedented rebellions against the governing elite by people outside the political mainstream. The polarizing politics created by Donald Trump's populist appeals and Bernie Sanders' progressive agenda continue to deepen tensions in this country. Moreover, this phenomenon is not limited to the U.S., as a majority of British citizens voted to leave the European Union as a repudiation against foreign intervention, and populist movements to protect ethnic supremacy in other European countries are undermining the viability of these democracies.

The core problem surfaced by these destabilizing events is inequity. The rich in these and other countries are getting richer, and the poor are getting poorer. In the U.S. alone, the top 1% of families now earns more than 20% of the country's total income, and the top 0.1% holds 22% of total household wealth. Together, the wealthiest 160,000 families own as much wealth as the poorest 145 million families, and wealth is about 10 times as unequal as income (Matthews, 2014).[i] Most recent data uncovers an even more dramatic fact: the 400 richest American households paid a lower average tax rate (23%) in 2018 than any other income group; the bottom 10% of households paid an average of 26%.[ii] Furthermore, the gap between rich and poor has been widening since the 1970's, with real family income remaining flat for the lowest 20th percentile of the population while increasing 60% for the highest 95th percentile (Stone, 2016).[iii]

Around the world, a new elite promotes the growing economic pie produced by globalization – often at the expense of economic (and increasingly social) sustainability in their own countries (Douthat, 2016).[iv] Neil Irwin, a senior economic correspondent at The New York Times points out that "policy elites seem more concerned about the size of the pie than whether everyone gets a slice (Irwin, 2016)."[v] Because of their reluctance to share the benefits of globalization with others, the few who have prospered prompt an increasingly strong reaction from those who are left behind and do not trust that they will benefit from further growth.

Both in the U.S. and elsewhere, economic inequities are connected to social and racial problems. Immigrant populations are often blamed by poorer members of the ethnic majority for the latter's economic problems. These attacks on minority populations are fueled in part by members of the elite to divert attention from their own complicity in the problem of inequity. Republicans in the U.S. beginning with Barry Goldwater in 1964 and even Democrats such as Bill Clinton and Barack Obama have used coded language such as "states' rights", "law and order", "ending welfare as we know it", and "illegals" to target people of color and immigrants as the source of the nation's problems (Lopez, 2014)[vi]. Structural racism aimed at African Americans has persisted ever since slavery fueled economic growth in the South prior to the Civil War.

Given these trends, what can leaders in the nonprofit, public, and private sectors do to assert the country's underlying moral values of self-reliance *and* community, develop an economy that works for all citizens, and reestablish reason and fairness in the political sphere? **This article explains the value of applying systems thinking principles and tools to understand the root causes of our growing inequality and identify high-leverage interventions to address it.** Along the way you will learn:

1. Why a systems approach is so important in addressing multiple symptoms of dysfunction
2. How a relatively simple systems analysis explains the root causes of economic inequality, social injustice, and political instability
3. Underlying beliefs and assumptions which drive these dysfunctional dynamics
4. Four fundamental strategies you can implement to achieve greater economic equality, social justice, and political stability

Benefits of a Systems Approach

A systems approach provides several benefits when addressing chronic, complex problems such as wealth inequality. (Stroh, 2015).[vii] You can use it to:

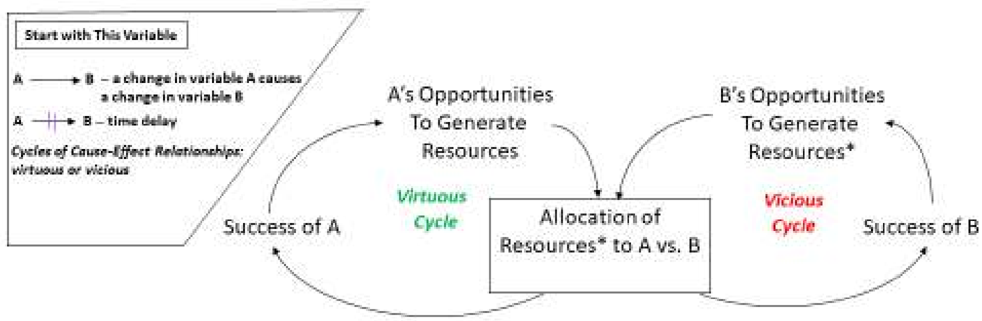
- **Focus Limited Resources –** Target the relatively few root causes of the problem instead of being distracted by its numerous symptoms.

- **Exercise Greater Control –** You can make initial changes where you have the greatest control in the larger system, i.e. over your own intentions, thinking, and behavior.
- **Strengthen Relationships:** You can invest more to improve relationships among the diverse stakeholders in the system:
  - Funders and service providers in the nonprofit sector who address the various symptoms of poverty and racial tension
  - Public policy makers concerned about such issues as campaign finance, taxation, and immigration
  - Private sector investors and executives seeking to adapt business to the realities of climate change, the demand for more educated talent, and global competition
  - Low-income people who are most impacted by the problem
- **Increase Leverage –** You can identify high leverage solutions that improve system-wide performance in lasting ways.
- **Shift Beliefs –** You can focus on an especially high area of leverage by identifying and beginning to shift the deeply held beliefs and assumptions that drive ineffective policies.

Success to the Successful: A Core Systems Structure

The core structure that drives economic inequality is known by systems thinkers as "Success to the Successful (Stroh, 2015)."[viii] **The Success to the Successful structure explains a dynamic found in practically all societies whether they be capitalist, Communist, feudal, or traditional.** It is the tendency for the rich to get richer and the poor to get poorer over time (see Figure 1 below).

Figure 1: Success to the Successful



The Success to the Successful dynamic manifests in most societies, not just capitalist ones. Resources that accumulate in favor of one group over another include housing, health, education, money, capital assets, natural assets, social connections, political influence, and image (both self-image and reputation). If group A has an initial advantage, it experiences the reinforcing relationship between opportunity and success as a virtuous cycle, while group B experiences the same relationship as a vicious cycle – having both less opportunity and success over time.

Many people understand that opportunity leads to success – and hence agree about the need for equal opportunity to ensure fairness. However, the elite who benefit most from this causal connection often fail to recognize the other side of this relationship: success creates more opportunities. The implication of missing this connection is that they often attribute success more to their own personal capabilities than the preferential conditions they have benefited from. They similarly assume that people who are not successful are held back more by personal/cultural limitations than socioeconomic conditions.

Moreover the reverse is also true: less opportunity leads to less success, and less success leads to fewer opportunities. When resources are fixed, early advantages gained by group A (in this case the elite) produce a virtuous cycle of greater opportunity and success for this group over time. On the other hand, early disadvantages experienced by group B (the majority) create a vicious cycle of decreasing opportunity and success over time. Moreover, if the overall resource level grows, group A can use its early advantage to simply take a bigger share of the growing pie instead of redistribute it, the process described by Neil Irwin above.

Success to the Successful is an extremely disruptive dynamic. Not only does it undermine the potential of many people to benefit from societal resources, it also diminishes their ability to contribute to the society's economic development and social fabric. The result can be political instability and societal collapse as exemplified by the French and Russian revolutions and the downfall of entire civilizations such as the Romans.

Let's look at how these dynamics play out in the U.S. This includes:

- How the rich get richer and the poor get poorer
- The role of racial discrimination
- The impact of our changing economy
- The impact of underlying beliefs and assumptions about wealth inequality and appropriate interventions

How the Rich Get Richer

The Success to the Successful dynamic currently manifests in the U.S. in several ways. First, the virtuous cycle in Figure 1 increases wealth inequality by tipping the playing field in favor of the rich. Success in our society is defined primarily in terms of individual achievement, money, and material possessions. This contrasts with other societies that place greater value on communal relationships and an overall quality of life, which is more balanced and less work-oriented. While the U.S. uses poverty-fighting tools such as progressive taxation and federally funded housing, education, jobs, and social service programs, these initiatives are weakened by deep beliefs in the importance of personal freedom and self-reliance coupled with a corresponding suspicion of government as a force for public good.

Anti-poverty efforts have been further undermined over the past 35 years by policies favoring supply-side economics and reduced government intervention. These policies thrive despite ample evidence that expanding the pie leads to a further hoarding by the rich rather than a redistribution of resources. Additional mechanisms that support the accumulation of resources by the wealthy have also been reinforced over this period. These include: relatively low income taxes for the rich; even lower capital gains taxes; campaign financing laws that allow wealthy individuals and corporations to unduly influence elections; weakening of anti-trust enforcement which results in further consolidation of markets and power; and so-called "corporate welfare" programs, which grant companies special tax breaks and other advantages. The wealthy also have better access to education and health resources than others. The relative political support for private vs. public schools and recent legacy admissions scandals illustrate educational inequality, and health statistics favoring people with higher incomes exemplify unequal access to health care. **Anti-government sentiment is fueled by the rich because government is a countervailing force to the concentration of wealth.** Recent attacks on the "deep state" cover up more valid concerns about the "deep pockets" that shape policies supporting the rich.

Even the economic recovery from the 2008 recession favored the wealthy (Schwartz, 2018).[ix] This is because wealth, and even basic financial security, has become increasingly dependent on profits from investments in financial instruments which only the rich can afford. By contrast, the wages most people count on have remained relatively flat despite significant increases in worker productivity. The unevenness of the recovery has exacerbated the already growing divide between the very wealthy and everyone else.

People with initial advantages tend to further reinforce these advantages by developing two paradoxical attitudes about their wealth. On the one hand, many justify their relative success in terms of being better and more deserving than those with fewer resources. Because they are able to live separately from poor people, they lose sight of the fundamental humanity they share with those who are less fortunate. A failure to fully understand or empathize with the poor can devolve into a feeling of superiority. Even well-meaning elite who are motivated to give back to others tend to adopt a paternalistic attitude, intent on sharing what they assume works based on their own success rather than learning from and empowering people who are disadvantaged to get what they really need. Those who denigrate the disadvantaged as "poor white trash", "the deplorables", "lazy black people", and immigrants such as "Mexican rapists" exemplify this self-aggrandizement at the expense of others. As Anand Giridharadas points out in his recent book "Winners Take All", some elite want to relieve the symptoms of poverty without challenging the fundamental rules of capitalism that enabled them to generate their own inordinate wealth (Giridharadas, 2018).[x]

Ironically, the superiority that advantaged people experience is often offset by a deep feeling of insecurity. Because they are physically and emotionally disconnected from the poor, and because money and possessions tend to be only fleeting sources of satisfaction requiring continuous reinforcement, financially successful people often resist expectations to share their wealth (Kasser, 2002).[xi] They are often relatively less generous than people with fewer resources (Keltner, 2009).[xii] The insatiable need to hold onto or acquire even greater wealth also explains

Neil Irwin's observation that wealthy people tend to appropriate rather than share the gains from a growing economic pie.

How the Poor Get Poorer

America is no longer the land of opportunity it once was. At least five major studies in recent years indicate that mobility in the U.S. is lower than that found in comparable countries such as Canada and Western Europe. One study by the Annie E. Casey Foundation estimates that 43% of children born into poverty are likely to remain at the same economic level when they become adults (Annie E. Casey Foundation, 2014).[xiii] Another indicates that 65 percent of people born in the bottom fifth percentile stay in the bottom two-fifths (DeParle, 2012).[xiv]

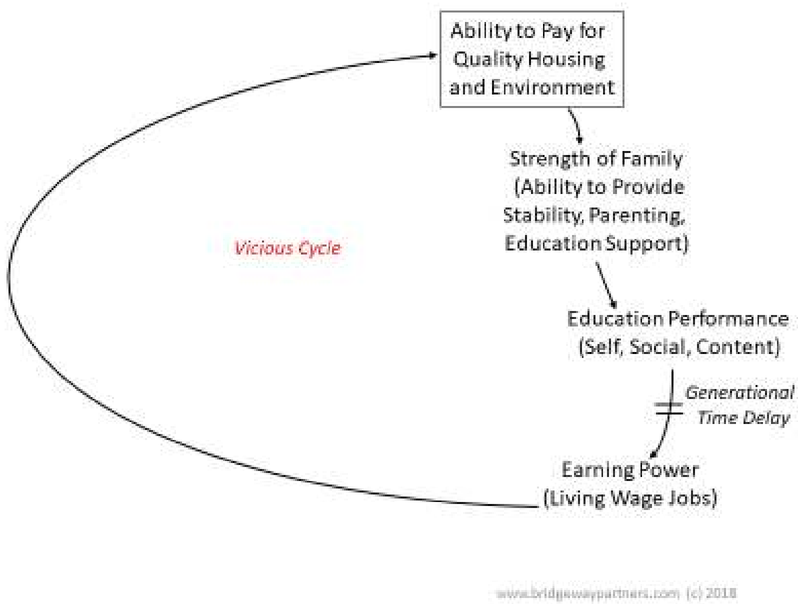
If we want to increase upward mobility for poor whites as well as for marginalized people of color, it helps to deepen our understanding of how the vicious cycle in Figure 1 not only persists but also amplifies over time:

1. The inability of families to pay for quality housing undermines their cohesion. By 'quality housing' I mean not only the quality of the physical stock but also the social and natural environments in which that stock is situated. Relatively poor neighborhoods are often dangerous, and housing is substandard. Moreover, because of the lack of political clout in these communities, polluting facilities rejected by wealthier areas are often located nearby.
2. Living in unhealthy physical and social spaces puts additional stresses on family life. Families can become unstable when they are disrupted by illness and financial problems, or torn apart by crime as victims or perpetrators. Young children are especially hurt by the absence of stable, cohesive and focused parenting.
3. Family stressors undermine essential brain development in early childhood, which in turn makes learning educational content difficult for these children when they enter school. Moreover, as the failures of No Child Left Behind demonstrate, education is not just about content; it also involves developing more foundational skills such as self-esteem, emotional maturity, and the capacities for critical thinking and continuous learning. Poverty undermines children's ability to develop this foundation. It tends to lead to low self-esteem and low expectations, reactive or passive instead of creative behaviors, and devaluation of the importance of education.

4. Low educational performance leads to low-paying jobs; low income reduces people's ability to pay for quality housing and healthy environments; and the cycle of poverty continues into the next generation.

These dynamics are summarized in Figure 2 below:

Figure 2: A Core Intergenerational Cycle of Poverty



There are other vicious cycles as well. For example, low earning power reduces people's abilities to pay for quality health care and child care, resulting in additional stressors on families and further undermining the foundations of education and income generation. Another consequence of low earning power is debt: not only do poor people have to borrow money just to meet their basic needs, but they also incur interest on that debt which increases exponentially faster than their ability to pay it off (Hudson, 2018). [xv]Less visible and perhaps even more pernicious are the underlying assumptions that many (though not all) poor people develop about themselves and their potential. They tend to see themselves as less than – less capable, less deserving – which undermines their motivation and capacity to break free from these cycles.

One often well-meaning yet inadequate response to these dynamics is to break the problem down into parts and try to address each part separately. There are many government programs and service providers focused on housing, while others target the environment, health care, family stability, education, or job training. However, the number of programs in place is not a good indicator of their impact. Frequently, they are not designed with community input nor funded on the basis of their effectiveness.

While poor communities tend to be underserved given their needs, there are those which are, in the words of Houston-based ProUnitas founder Adeeb Barqawi, "program rich and systems poor." In other words, **most programs fail to work *together* to serve those in need, and many people fall between the cracks as a result.** The inability of government to solve these problems also reinforces people's mistrust of the entire sector. Moreover, one way the elite retain their power is by denigrating public efforts to redress imbalances as "welfare" instead of as well-intended initiatives to create a more sustainable society (Lopez, 2014)[xvi]. Small-government policies favor those who do not want government to restrain their unbridled corporate interests. Shifting the burden to the nonprofit sector does not work because it is constrained by limited resources, and private sector solutions tend to be compromised by the profit motive (Giridharadas, 2018).[xvii]

Limited by a belief that each issue can only be tackled independently, by separate funding streams, and by disconnects between funding and results, we throw life support after life support to people who are drowning. The result is a dynamic I call "Treading Water", where people work hard simply to keep themselves from being pulled down by the numerous vortexes working against them. While fewer may drown, even less are able to swim to a desirable shore. In the words of one community leader, the system is designed to help people "sorta survive" – but not to thrive.

A second form of inadequate response is to provide top-down, expert-driven solutions to problems that must come from the people most affected. Poor people understand better than anyone the need to address multiple problem symptoms in a coordinated way, the importance of relying on their own initiative and the support of others in similar circumstances, and the value of acquiring not only financial but also social capital to permanently climb out of poverty. By contrast, **government and philanthropic efforts often undermine rather than empower the very people they are intended to help.**

The Place of Race

Looking just at the dynamics above, you might conclude that "Success to the Successful" affects people independent of their race. In fact, the rise of Donald Trump and populist movements outside the U.S. indicate that middle and lower class whites are deeply affected by growing wealth inequality.

On the one hand, being a member of the dominant ethnic group offers a fleeting sense of superiority that minorities do not experience. Economically marginalized members of the ethnic majority are indeed physically safer and more able to assert their populist values into the political process. They might justify the government supports they receive as compensation for economic forces beyond their control, while railing against similar supports going to "undeserving" minorities.

On the other hand, working class white people are also victims of racial fear and prejudice (Lopez, 2018)[xviii]. **Racism is not only cruel, but also strategic.** Greedy elite use "the race card" to redirect towards people of color anger that should legitimately be directed towards themselves. For example, Ronald Reagan's attacks on welfare queens convinced working class whites that people of color are lazy and undeserving of government assistance. This characterization has been used to justify tax deductions and small government, which hurts poor white people as well. The effectiveness of this redirection strategy was summarized over 50 years ago by former President Lyndon Baines Johnson. Johnson was a Southern Democrat and astute politician who was asked why poor white people seemed to vote against their economic self-interests – a question many of us still ask today. He observed in his crude yet insightful way: "If you can convince the lowest white man that he is better than the best colored man, he won't know you're picking his pocket. Hell, give him someone to look down on, and he'll empty his pockets for you."

Yet, however triumphant the ethnic majority may feel, the prevalence of opioid addiction, hate speech, violent behavior, and denial in that same population suggest that their self-esteem cannot be bolstered by feelings of ethnic superiority. Self-esteem is ultimately dependent on one's ability to provide for loved ones and contribute to society.

At the same time, ethnic minorities are clearly hurt directly in many ways. If they are African American, they are held back by the legacy of slavery. This manifests as a succession of discriminatory policies related to Jim Crow laws, lending practices, school segregation, school discipline, voting rights, racial profiling, and mass incarceration. Moreover, limits on the access of formerly incarcerated people to such basic rights as voting, housing, and employment have excessively affected the abilities of African Americans to succeed once they are released from prison. Even philanthropic organizations are biased in their tendency to donate to national nonprofits run by white males instead of to community organizations run by minorities. For example, although African Americans and Latinx people make up 30% of the US population, they fill only 10% of nonprofit leadership positions and capture 4% of philanthropic capital. (New Profit, 2020).[xix] In other examples, Native Americans are dependent on the reservation lands that simultaneously protect and confine them, and immigrant minorities often endure terrible working conditions and are increasingly at risk of being deported.

Finally, discrimination and segregation not only reinforce each other but also increase wealth inequality. The predominant choice made by the wealthy to separate themselves from the poor reduces opportunities for those with fewer resources to generate the social capital which is an important source of financial capital. Without sufficient financial or social capital, it is even more difficult for poor people to demonstrate their worth and show how similar they are in essence to people who are more successful.

The Changing Economy

The changing economic landscape also contributes to expanding wealth inequality. The usual suspects in increasing inequality are the numerous cost-saving policies pursued by global companies such as: relocating once reliable blue collar jobs to poorer nations; using technology to replace people; reshaping jobs into part-time gigs that decrease the responsibilities of employers to pay worker benefits; busting unions; failing to increase the federal minimum wage in relation to increases in productivity; and using bargaining power to reduce corporate taxes in exchange for creating local employment.

A less obvious but more crucial problem is what companies do with the money they save. Most profit increases go into the pockets of shareholders (note the amazing rebound in the stock market since 2008) and corporate executives. By contrast, **very little profit is invested in the**

new markets, products, services, jobs, and training which workers need to adapt to changing economic opportunities.

One area where economic dislocation is both real and required is in the fossil fuel industry. Those jobs are going away because we can't afford to release more CO2 into the atmosphere. At the same time, the good news is that the shift to clean, renewable energy creates enormous job opportunities. For example, the Department of Energy reported in 2017 that Electric Power Generation and Fuels technologies already employed almost 800,000 workers in low carbon emission generation technologies, including renewables, nuclear, and advanced/low emission natural gas, while 1.1 million employees still work in traditional coal, oil, and gas.[xx] Moreover, the same report also showed that 2.2 million Americans were employed, in whole or in part, in the design, installation, and manufacture of Energy Efficiency products and services. I will return to these opportunities in the upcoming section on how to increase wealth equality.

Summary – Dynamics and Beliefs That Create Wealth Inequality

Redressing the imbalances between rich and poor has been ineffective for two basic reasons:

1. **The virtuous cycles that enable the rich to get richer are very strong. They include two major factors:**
    a. **The direct use of money to wield political influence to support the interests of a powerful few**
    b. **The cultivation of negative attitudes towards government and minorities – redirecting what should be appropriate resentment of deep pockets to the deep state and of class divisions to ethnic tensions**
2. **Corrective programs to break the vicious cycles that hurt the disadvantaged are too disconnected and top-down to have a meaningful impact**

At its core, wealth inequality involves challenging ten deeply held beliefs and assumptions that people hold about the sources of inequality and what should be done to level the playing field. These are in the following box:

Ten Assumptions Creating Wealth Inequality

1. *The size of the wealth pie is limited*
2. *A rising tide lifts all boats*
3. *Government is part of the problem – not part of the solution*
4. *The private sector is part of the solution – not part of the problem*
5. *If you're rich, it's because you are more special and deserving than others*
6. *If you're poor, it's your fault*
7. *If we're poor, someone else is to blame*
8. *Racism only hurts people of color*
9. *Segregation is a natural response to being different from (and better than) others*
10. *Sharing the pie doesn't work because it builds up dependence*

As we shall see in the next section, shifting these beliefs and assumptions is an essential strategy for reducing wealth inequality and increasing societal stability.

Increasing Wealth Equality and Societal Stability

Although the Success to the Successful dynamic that produces wealth inequality is inevitable, it is not irreversible. In fact, many societies are and have been very effective in reversing this tendency to create living conditions which are more equitable and stable. For example, the rulers of the Near East forgave personal debt for over 3,000 years as a way of maintaining the loyal support of their subjects (Hudson, 2018). Their practice laid the foundation for the Jubilee Year celebrated in the Old and New Testaments. Indian tribes of the Pacific Northwest developed the tradition of a potlatch to affirm or reaffirm social status through the ceremonial distribution of property and gifts. The U.S. and many other nations use progressive taxation to varying degrees to redress imbalances. When people are able to meet their basic needs, they are more able to contribute productively to society, reduce long-term social costs, and promote political stability.

The long-term consequences of the tendency for the rich to get richer and the poor to get poorer are determined by choice. As Binyamin Appelbaum points out in a recent article, the escalation in inequality in the U.S. over the past 40 years was largely influenced by advice given by both liberal and conservative economists to increase efficiency and output without concern for its destabilizing impact on equality (Appelbaum, 2019).[xxi] While he and many others praise the market economy as “one of humankind’s best inventions”, he also points out that the concentration of wealth produced by unbridled capitalism is not in society’s best interests. Instead, he proposes an alternative view:

> “Markets are constructed by people, for purposes chosen by people – and people can change the rules. It’s time to discard the judgment of economists that society should turn a blind eye to inequality. Reducing inequality should be a primary goal of public policy.”

There are four broad strategies for reducing wealth inequality that emerge from the systems analysis in the previous pages:

1. **Weaken the virtuous cycles which favor the rich getting richer at the expense of everyone else**
2. **Break the vicious cycles that lead the poor to become poorer over time**
3. **Cultivate beliefs and assumptions that support the more equitable distribution of wealth**
4. **Align around a shared aspiration**

All four must work in concert for any one of them to be effective. We will look at each of them in turn.

Weaken Virtuous Cycles Favoring the Rich

Reducing poverty and its destabilizing consequences cannot occur without steps that also redistribute wealth. Otherwise, the dynamics of Success to the Successful will result in the rich getting richer and the poor getting poorer, which in turn leads to greater economic, social, and political destabilization over time.

Government is an essential actor in ensuring redistribution because:

- Despite recent initiatives that focus on increasing stakeholder vs. shareholder value and reducing long-term investment (climate change) risk, the pressure of quarterly earnings undermines the incentives of most businesses to internalize the social and environmental costs they create
- Nonprofits are too small and fragmented to get people out of poverty without policies and financial input from the public sector
- Government is the only sector uniquely charged with supporting the public good

The following are four strategies to weaken the virtuous cycles that concentrate wealth in a few hands:

1. **Reframe the reputation of government**
2. **Strengthen the government's ability to redistribute existing wealth**
3. **Simultaneously, strengthen government's ability to create new wealth**
4. **Support everyone to have a voice in our democracy**

Reframe the Reputation of Government

The first step in restoring the U.S. government's ability to serve the public good is to reframe its reputation. We need to move from viewing government as an obstacle to a successful society to its being an essential contributor. Think tanks denigrating government need to be replaced by those who appreciate its value. One telling example of such an organization is the Niskanen Center founded by Jerry Taylor (Brooks, 2018).[xxii] Taylor and his colleagues came out of the Cato Institute, a libertarian think tank which advocates free markets, limited government, and individual rights. Prompted initially by concerns about how to deal with climate change, they came to question the single-minded thinking of people on all sides of the issue. As David Brooks describes:

> "Taylor didn't abandon his faith in markets and individual rights, but he decided to abandon the belief that a single ideology can be applied to all problems. There are a lot of different goods in society: liberty, social justice, equity, community, virtue, prosperity. It's crazy, Taylor argued, to prioritize one of those goods in nearly every single policy context. And yet that's what ideologues do."

Brooks, who is described on Wikipedia as a conservative columnist and author, continues by recounting the center's surprising finding that "nations that have the freest markets also generally have the most generous welfare states." These nations include not only Sweden with its relatively homogenous population but also Canada with its increasingly diverse population. They succeed because they distinguish between two potential roles of government – what Niskanen calls the redistributive state and the regulatory state. These nations combine a strong redistributive state, which provides the safety net to meet its citizen's basic needs, with a limited regulatory state that fosters the economic freedoms which enable markets to create wealth and pay for the safety net (Lindsey, 2018).[xxiii]

Van Jones, a CNN commentator who challenges liberals and conservatives alike to look in the mirror at their own biased beliefs, points out that both sides represent values that only make sense if they work together (Jones, 2017).[xxiv] He reminds us of our country's allegiance to *liberty and justice for all.* He then goes on to observe, "When a government cares only about redistributing wealth but cares nothing about individual liberty, you get totalitarianism…which is a different form of injustice." On the other hand, "if a government cares only about individual liberty but doesn't give a damn about justice, you get a different kind of tyranny – corporate domination." He goes on to characterize both liberty and justice as the two wings of a bird, both of which are essential to flight. "Our [American] creed *E pluribus unum* … means 'out of many, one'. The liberals want to see more respect for diversity (the *pluribus*), and the conservatives desire an un-hyphenated American identity (the *unum*) – but both sets of values are present in the same national motto. That's the genius of America."

Strengthen Government's Ability to Redistribute Existing Wealth

Government can adopt a stronger redistributive role in several ways. The most salient now is the wealth tax proposed by Presidential candidates Elizabeth Warren and Bernie Sanders. Financial columnist and author Andrew Ross Sorkin notes that there are also less sensational but equally effective tax proposals that achieve the same end: eliminating loopholes in the estate tax, increasing capital gains rates, ending real estate loopholes, fixing carried interest, and rethinking the tax free status of philanthropy (Sorkin, 2019)[xxv]. Other proposed financial adjustments include: expanding the earned income tax credit, child allowances in the form of a refundable tax credit, baby bonds to build children's equity, and universal child care on a sliding scale (Kristof, 2019).[xxvi]

Strengthen Government's Ability to Create New Wealth

Government also has the power to create new wealth (Mazzucato, 2015).[xxvii] Public dollars have been crucial in generating new markets and technologies such as the internet, the iPhone, and clean energy. The Apollo Project opened up space exploration and catalyzed numerous products along with it. Government can work with the private sector to stimulate investments in innovation that would not be funded by the private sector alone, and it can redirect large investments toward producers that serve more people. Examples of public investments that build new wealth include jobs that:

- Create clean and renewable energy (such as nuclear, solar, and wind)
- Use less energy and produce fewer CO2 emissions (such as clean tech and living wage service jobs)
- Accelerate the removal of CO2 from the atmosphere (such as sustainable agriculture and planting seaweed)
- Produce public goods such as infrastructure, health, education, and housing
- Rebuild rural economies

Government can also help redirect investments away from businesses that either concentrate wealth or threaten people's collective well-being in other ways. Examples here include monopolies created and maintained by weak anti-trust policies, and fossil fuel products that accelerate climate change.

Finally, if we think of government as a venture capitalist and want to also reduce taxes, we can ensure that government redirects some of the dividends it generates from increasing wealth and reducing social/environmental costs into additional investments that serve the public good.

Support Everyone to Have a Voice in Our Democracy

Since the concentration of political power goes hand in hand with concentrated wealth, it is important to support strategies which empower people who are marginalized. These strategies must be driven bottom-up as well as top-down. Top-down strategies include such political policies as: reforming campaign finance laws to ensure one person – not one dollar – per vote, eliminating gerrymandering, and removing voting rights restrictions. Bottom-up strategies include strengthening the role of unions, encouraging voting, and building effective community organizations.

For example, a recent special report in the *Stanford Social Innovation Review* on "Realizing Democracy" highlights many initiatives aimed at not only mobilizing ordinary citizens around specific issues or candidates, but also *organizing* them to develop a strong and sustainable voice in support of their ongoing interests (Ford Foundation, 2020).[xxviii] These include Faith in Minnesota, We the People-Michigan, and Color of Change.

The strategies must also work horizontally across racial lines (Lopez, 2018).[xxix] Working class people of all ethnicities recognize that the system is rigged against them. They need to understand that the suspicions and resentments whites and people of color feel towards each other are in no small measure manufactured by the elite who are reluctant to share their wealth with either group. Building multi-racial political coalitions serves the well-being of all economically marginalized people independent of race.

Break Vicious Cycles Hurting the Poor

Here are four strategies for breaking the cycles of poverty:

1. **Empower low-income people to take care of themselves**
2. **Address race discrimination**
3. **Increase collaboration among those serving the poor**
4. **Rethink the role of funders**

Empower Low-Income People to Take Care of Themselves

Just as we need to reframe the place of government in our society, so too do we need to think differently about the poor. Neither blaming nor pitying these people as victims helps them climb out of poverty. On the one hand, when we blame people for being poor because of certain innate character traits (a tendency we direct towards African Americans and many immigrants), we ignore the circumstances of slavery or deprivation into which these people are born. When we blame poor white people for being uneducated, we denigrate their desire to provide for their families and contribute to society. We also risk the populist backlash we are now seeing in the U.S. and other Western democracies, a backlash that further solidifies the power of the elite. On the other hand, feeling sorry for people and treating them as charity cases also does not work because it is ultimately both demeaning and more debilitating.

The alternative approach is best captured by the proverb: “Give a man a fish, and you feed him for a day. Teach a man to fish, and you feed him for a lifetime.” The general principle of alleviating poverty by facilitating self-sufficiency has a long history. For example, Jesus not only taught people how to fish, but gave them the resources to go become fishermen. And, as Jesse Jackson once said, “You may not be responsible for being down, but you are responsible for getting up.”

At least three conditions need to occur for this principle to be applied effectively:

- People must be well-enough fed so that they can learn how to fish, particularly if “learning how to fish” takes time. Because poor people begin with far fewer resources and opportunities, it takes them even longer to accumulate the skills and connections required to succeed on their own. That is why it is important to create opportunities that are equitable (to compensate for the initial unevenness of the playing field) rather than equal (which assumes everyone starts with the same level of resources).
- People have the ability to generate more fish over time. Not only do they receive fish for their efforts in the short-term, but they also develop the resources to catch more fish over time. In other words, they acquire the factors – not just the outputs – of production. Those factors include: a stronger voice in guiding their own affairs through such channels as community participation (particularly in urban areas) and unions, access to capital and technical assistance to start and expand their own businesses, a concerted public-private effort to bring new jobs in growth industries to rural areas which have lost employment, and retraining in these new jobs. Another key factor is forgiving consumer (vs. business) debt because of its crippling cost on people’s ability to become more productive (Hudson, 2018).[xxx]
- The givers in this exchange experience the reward of reciprocity (Rosenfeld, 2017).[xxxi] In other words, people who empower others to take care of themselves experience a comparable gift of watching people grow.

One example of an organization which supports poor families to identify and meet their own needs is the nonprofit Family Independence Initiative (FII). FII works to empower low-income families, both individually and collectively, to achieve prosperity and avert the pernicious recycling between self-sufficiency and poverty created by welfare policies near the poverty line. As described by New Profit, a venture philanthropy firm which is one of FII's major funders, "Families come together to set their own goals and help each other find solutions to problems like identifying resources for child care, tuition, or starting a business. Through [its technology platform] UpTogether, families report on their activities, finances, and steps taken toward their goals. FII uses that data to learn and capture trends, providing reports for families to see and understand their own journey. They also use the data to enable other stakeholders, including government and philanthropy, to better understand what it looks like for families to move out of poverty. During two years of engagement with FII, families report on average a 22 percent increase in monthly income, a 55 percent decrease in subsidies such as TANF and SNAP, and doubling of their assets. They also report increased educational outcomes for their children." (Eyoel, et al, 2020)[xxxii]

Address Race Discrimination

Race discrimination is a significant and distinct determinant of wealth inequality. Therefore, ensuring that people are judged and subsequently treated, in the words of Martin Luther King, "not by the color of their skin but the content of their character" requires a unique commitment.

One commonly accepted framework for addressing racial issues, developed by Race Forward, distinguishes four levels of discrimination and proposes methods for addressing each level:

- Internalized racism is the set of negative beliefs that people who are discriminated against hold about their own self-worth and potential. Strategies to reduce this form of racism include: mentoring, mono-racial support groups, and counseling.
- Interpersonal racism is the bias, both conscious and unconscious, that exists between whites and people of color. Strategies to address it include: trainings in diversity and cultural competency, cross-/inter-identity group dialogues, and community events which engage diverse groups.

- Institutional racism is bias which exists within individual organizations. Strategies to overcome it include: racial equity impact assessments, diversity/equity/inclusion trainings sponsored by the organization, and challenging discriminatory and exclusionary practices. Specific types of organizations can also take steps unique to their mission, e.g.:
    - Churches can deliberately cultivate compassion and respect among diverse people who share the same faith
    - Schools can educate children about the history of slavery and the cultivation of racial bias to justify enslavement; they can also encourage children of color to train for jobs in such industries as clean tech and clean energy, which are often construed as rich people's occupations
    - Banks can challenge their lending policies
    - Employers, particularly those committed to the communities in which they operate, can encourage the hiring of minority-owned businesses and employees
    - Police departments can review and question their citizen profiling practices
- Structural racism is the bias that is embedded in laws, policies, and practices that impact multiple institutions. Many of the above institutional strategies can also be implemented by specific industries and sectors at the city, county, state, and national levels. Some of the highest leverage policies to address at this level include: criminal justice reform, lending practice reform, school desegregation, the creation of mixed income housing and neighborhoods, improved access via public transportation and the internet, and compensation for victims of discrimination driven by such values as fairness and broader wealth creation instead of guilt or charity.

Increase Collaboration among Those Serving the Poor

The Treading Water dynamic described earlier highlights the importance of increasing coordination among the various service providers who seek to break the vicious cycles of poverty. This focus on improving relationships among the parts of a system instead of optimizing each part separately is consistent with what we know about how to increase system-wide performance. Without better coordination and collaboration, there is no continuum of support. Either programs are too costly because of overlaps and duplication of effort, or there are serious gaps between them. Moreover, limited public transportation makes it even more difficult for poor people to access the services they need. People might survive, but they cannot begin to thrive under these circumstances.

We have to address several challenges to improve relationships among those committed to serving the poor:

- Individual programs are easier than system-wide interventions to identify, fund, and evaluate.
- Organizations that want to collaborate tend to serve different "masters". In other words, their behavior is driven by funders who expect them to achieve their own individual missions, goals, and metrics in exchange for financial support. Although many providers share similar aspirations for their clients, they are often pulled apart by mistrust based on competition for scarce resources.
- The real opportunity to be captured by all parties is a "white space" which exists between them, i.e. the synergistic power created by improved relationships. This white space does not pay for itself, although the benefits it provides to all parties are very significant.
- Since optimizing system-wide performance requires optimizing relationships among the parts of the system, not the parts themselves, each organization is likely to have to compromise some of what it does now to focus on its unique-value added to the whole. As in a marriage, we have to give something up about how we would live independently in order to realize the potential of the white space or synergy between us.

Meeting these challenges requires investing in the white space that exists between the stakeholders. The five conditions set forth for increasing "collective impact" provide direction for capturing more complex opportunities that require multi-sectoral collaboration and centralized governance.[xxxiii] These conditions are a common agenda, shared measurement, mutually reinforcing activities, continuous communication, and a backbone organization. I would add two other criteria to these. The first is a shared understanding of the root causes of the issue – and in particular how each stakeholder contributes to the problem, not just the solution. The second is effective community participation to counterbalance the tendency for top-down decision-making.

Rethink the Role of Funders

Funders, and in particular foundations, play an important role in reducing wealth inequality. Their role has grown enormously as a result of strong pressures beginning in the 1980's to downsize the role of government in providing a basic social safety net and ameliorating poverty. Clearly, as this paper points out, foundations cannot do this work alone. At the same time, there are several steps foundations can take to increase their ability to reduce poverty.

The first is to recognize their role in increasing wealth inequality in the first place. In his searing book on the foundations of philanthropy, Anand Giridharadas points out that foundations exist because of the virtuous cycles that concentrate wealth (Giridharadas, 2018).[xxxiv] While foundations profess to want to alleviate poverty by breaking the vicious cycles that create it, they are reluctant to weaken the virtuous cycles that generate the other side of the problem. He challenges them to rethink their underlying purpose, and to address both sets of cycles if they are in fact committed to increasing wealth for all.

A second major step foundations can take is to encourage and issue grants that support systems entrepreneurship. Unlike social entrepreneurs who focus on creating new programs and services, systems entrepreneurs address those high-leverage innovations that shift deep systems structures (Eyoel et al, 2020).[xxxv] They include collaborative cross-sectoral processes such as collective impact, building movements, and changing government systems (Eyoel, et al, 2020). [xxxvi] For example, organizations such as Harlem Children's Zone and ProUnitas change *relationships* among youth program providers, schools, parents, and kids to provide more comprehensive and seamless wrap-around services for K-12 students in poor neighborhoods. Another example is Health Leads, an organization which began over 20 years ago to work closely with local hospitals and clinics to connect people to essential resources like food, housing and transportation alongside medical care. Today, the organization has evolved to work both locally and nationally to break down systemic barriers to health by helping people develop the policies, mindsets, skill sets, and internal practices they need to address the social determinants of health.

Foundations committed to reducing wealth inequality can also:

- Listen more closely to the direct voices of the people most affected by poverty
- Fund more nonprofits led by these people

- Invest in capacity building for grantees
- Support think tanks to promote the kinds of strategies referenced in this paper
- Hardwire issues of equity into the programmatic work they fund

Cultivate New Beliefs and Assumptions

How people think drives what they pay attention to and how they act. Mental models are critical elements of systems structure and high areas of leverage for changing these structures. The importance of influencing how people think has led to extensive investments in politicized think tanks and recently intensified battles on the fields that shape public opinion – such as the media and internet. I concluded the analytic section of this paper by identifying ten beliefs which aggravate wealth inequality. On the next page by contrast is a summary of ten shifts in thinking we need to make to increase wealth equality:

Ten Beliefs That Stimulate Wealth Equality

1. *Government has an important role to play in balancing public and private interests, redistributing wealth to ensure social and political stability, and generating new wealth*
2. *Poor people can become productive members of society if you give them the tools they need to take care of themselves*
3. *The size of the wealth pie need not be limited if the resources of wealth are renewable*
4. *A rising tide lifts all boats only if sufficient attention is paid to redistributing the wealth which the tide creates*
5. *The private sector is part of the solution as long as it is required to internalize the social and environmental costs of doing business*
6. *If you're rich it's likely to be because of a combination of luck and hard work; gratitude and stewardship are healthier responses to wealth than entitlement and hoarding*
7. *If we're poor, we might not be responsible for being down, but we are still responsible for getting up*
8. *Racism hurts all economically marginalized people – either directly or indirectly*
9. *Segregation denies us the benefits of diversity*
10. *Sharing the pie works when it empowers people to succeed*

Align Around a Shared Aspiration

United we stand, divided we fall. What will ultimately lead to a reduction of wealth inequality is an appreciation of people's shared humanity. We all want to be an integral part of something larger than ourselves. Most of us are motivated at some level to be good parents; do meaningful work that contributes to our families and society; care for the places we live in; and treat others as we would ourselves. As Van Jones observes we are also united in our history by the twin desires for liberty and justice for all, and by our desire to experience the connection which underlies diversity.

If we keep our eye on these prizes, we will all benefit. If we elect leaders who value these aspirations, we can all thrive. If we respect natural limits, we can all experience what is limitless. The choice is up to us.

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