FORTY-EIGHTH DOCTORAL COMMENCEMENT ADDRESS

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THE GRADUATE CENTER
THE CITY UNIVERSITY OF NEW YORK

THURSDAY, MAY 24, 2012
AVERY FISHER HALL AT LINCOLN CENTER
NEW YORK, NEW YORK

Welcome

Good evening—to the representatives from the CUNY Board of Trustees, from the Chancellor's Office, and from the Graduate Center.

Congratulations—to our three distinguished honorees and to the *incomparable* Graduating Class of 2012.

And *welcome*—to so many family members and friends, including my own.

It's an immense honor, and a joy, to share this ceremony with you.

Sparking the Conversation

Some extraordinary events have unfolded in this country since the Graduate Center community gathered for its last commencement. Shortly after the academic year began—on September 17, 2011—a group of activists gathered in Zuccotti Park in lower Manhattan, launching the Occupy Wall Street movement, a movement that quickly spread from coast to coast.

The leaders of Occupy Wall Street have famously and deliberately avoided laying out specific demands, especially vis-à-vis the government. The movement's refusal to nail down demands was clarified for me on my first visit to Zuccotti Park, when I was greeted by a sign that read: "We're here, we're unclear, get used to it!" In the end, that strategy—with its evident strengths and weaknesses—has made identifying the movement's effects a difficult exercise.

But one consequence is indisputable: The Occupy movement has cast a bright and angry light on income inequality in the United States. And that light has catalyzed an intense national conversation, one that has pushed into relief at least one uncontested fact: Income inequality in the U.S. is greater than in many other wealthy countries. *The Luxembourg Income Study*—an organization that produces cross-nationally comparable data—recently assessed 27 affluent countries; their data revealed that, among these countries, the U.S. has the highest level of income inequality.

This Occupy-inspired conversation about inequality started immediately and it grew quickly. Between September and November of last year, references to income inequality in the national media increased by a factor of five. In December, President Obama, speaking in Osawatomie, Kansas, called for a heightened response to income inequality in the U.S.: "This kind of gaping inequality," he said, "gives lie to the promise at the very heart of America." The Occupy movement has forced a response from Republican leaders as well; all of the GOP presidential candidates served up populist claims, as they too attempted to court the newly identified "ninety-nine-percent."

For those of us concerned about economic inequality in the U.S., this explosion of attention is more than welcome. But it is also the case that much of what has been claimed—to *some* extent on both the right and the left—is nonsense at worst, incomplete at best.

Views from the Right and Left

The Right

From the *right*, we have heard two frequently recited claims. The first is that high levels of income inequality lay the groundwork for inter-generational mobility. In other words, an economic system in which the top is especially far from the bottom increases the probability that children will rise above the financial circumstances of their parents. But this claim rings hollow—and it should, because it's false. There is less inter-generational mobility in the U.S. than in many other rich countries—and several recent cross-national studies have indicated that high levels of inequality actually thwart mobility.

A second claim from the right is that income inequality fuels economic growth and thus raises standards of living. This too is an unpersuasive claim. A recent review of scholarship on this question turned up no conclusive evidence that inequality enables economic growth or raises standards of living.

The Left

Most on the *left* reject out-of-hand claims that inequality is advantageous. To the contrary, progressives argue that high levels of inequality are problematic. Some stress normative grounds: extreme income disparities are incompatible with a fair and inclusive society. Others focus on the instrumental, arguing that inequality worsens a range of *other* outcomes. This argument has been popularized by Richard Wilkinson and Kate Pickett in their heralded book, *The Spirit Level*. Wilkinson and Pickett find that large income disparities—within a country—effect a multitude of outcomes, including physical and mental health, infant mortality and life expectancy, crime and incarceration, educational performance, and political engagement. Robert Reich goes further, arguing that "[i]nequality undermines the trust, solidarity, and mutuality on which responsibilities of citizenship depend." While there is much to debate at the margins, these findings are persuasive. Income inequality—at U.S. levels—is deeply damaging.

At the same time, the left has often come up short in clarifying the underlying causes of *American* inequality—and that shortfall obscures solutions. Many have laid the blame for high levels of inequality on the doorstep of capitalism, globalization, and neoliberal reforms that promote free trade and open markets. These over-arching transnational explanations *are* part of the story, but they sidestep one critical question: Why is income inequality so exceptionally high in the U.S.? And by sidestepping that question, we miss a crucial point: Many causal factors that drive up income inequality in the U.S. are situated *inside* the U.S. An array of *American* public policies and institutions are shaping our income distribution—and their effects operate quite directly.

I also think that many on the American left have invested too much time and energy talking about the very rich. That's true of leading activists, as well as sympathetic Democrats in Congress. The problem with over-emphasizing the very rich is that it makes both the problems that we face—and the solutions that we need—seem too simple. It's *easy* to call for limiting exorbitant salaries on Wall Street and for raising taxes on the rich. But we need institutional reforms that are much more ambitious—and that *directly* affect a far larger swath of the population. While we've obsessed about the top 1 percent, we've diverted needed attention from policy reforms that could provide economic security for millions of Americans located much further down in the income distribution.

The "Top One Percent"

Before I say more about those larger reforms, let me clarify that the concern with the top 1 percent is *entirely understandable*; the inequality situated at the very top is egregious. The richest 1 percent of households in the U.S. command more than 15 percent of our country's earnings, over a fifth of total income, and more than a quarter of our wealth—and these shares have risen sharply in recent years.

Clearly, we could blunt inequality at the top by taxing the rich more heavily; that means raising taxes on both high earnings *and* income from capital. Mitt Romney recently demonstrated our lopsided tax policies, when he revealed that, after earning 27 million dollars in 2010, he and his wife paid 13.9 percent in taxes—a rate typical of households earning $80,000 a year, or less than 1/300 as much.

We all know the debate about raising taxes on the rich. This discussion has produced much absurdity—including the recent re-branding of the very rich as "America's job creators." But, *in fact*, an overwhelming majority of mainstream economists agree that increasing taxes on the richest 1 percent would raise public revenues, reduce the deficit, and lessen income inequality.

The "Bottom Fifty"

But, today, I want to set aside the "top 1 percent" and instead focus our attention on the "bottom 50 percent." The "bottom 50" includes nearly *60 million* poor, near-poor, working class, and middle-class households. I want to focus our attention on the "bottom 50" because their economic wellbeing is also highly policy-sensitive. The fact is, if the U.S. were to adopt a package of social policies that routinely operate in many rich countries, we could sharply reduce the economic hardship faced by so many of these households.

Low-Wage Work

Let's start by noting that an enormous number of households in the bottom half include workers who earn very low wages. Using one internationally accepted metric—less than 2/3 of median earnings—fully

24 percent of U.S. workers earn low pay. That means that more than 30 million workers earn less than about $11 an hour—or $22,000 a year if they work full-time throughout the year. Annual earnings at that level fall short of the poverty threshold for a family of four, and barely exceed the threshold for smaller families.

It is by no means inevitable that a quarter of American workers earn low wages. Many other high-income countries—with diverse social policies and varied labor markets—effectively limit the incidence of low-wage work. Using the common "2/3 of the median" standard, 18 percent of workers in Germany earn low pay; that rate is 16 percent in Austria and Japan, 15 percent in Australia and New Zealand, and 7–8 percent in the Northern European countries. The prevalence of low pay in the U.S. is much higher than the average rate across 30 rich Western countries.

Comparative Policy Analysis

I want to focus the remainder of my remarks on two comparative policy questions.

Low Wages

The first question is: How *do* other rich countries limit the *prevalence* of low-wage work?

The answer is: through three instruments of social policy. First, they secure adequate wage floors by setting high minimum wages. Second, they shore up workers' bargaining power by strengthening decision-making bodies that include workers, by providing adequate unemployment insurance, and by limiting forms of public assistance that force workers into low-paid jobs. And third, they operate what are known as "active labor market policies"; those include public training, re-skilling, and employment services, which together reduce the incidence of low pay and raise earnings mobility.

The higher prevalence of low pay in the U.S. is not mysterious. It is the consequence of policies that we have enacted and sustained. In comparative perspective, our minimum wage is rock bottom, our institutions grant workers minimal bargaining power, and our investments in active labor market policy are negligible.

The second question is: How do other rich countries mitigate the *effects* of low earnings?

Maybe U.S. policy is more typical when it comes to adjusting what the market has allocated? Well, no.

A large research literature—to which I've contributed—has assessed the extent to which public tax and income transfer policies provide economic security to those who receive too little from the market.

A clear consensus finds that U.S. income policies are much less redistributive than those that operate elsewhere. In the U.S., the limited reach of our income-tax-and-transfer system tightens the link between low earnings and low household income. That is why American poverty rates and income inequality reach levels rarely seen in the world's affluent countries.

And what about *other* social protections? Most rich countries also provide an array of rights and benefits that offset the hardship of both low earnings *and* limited income. These rights and benefits also provide crucial support to the millions of workers, and their families, whose wages and income place them closer to the middle. For workers in middle-class families, the risks might be less severe and the hardships more intermittent, but they still work and live with many of the same uncertainties that plague those in the starkest economic circumstances.

So, here are a few facts about the U.S., relative to the 25 richest countries in the Western world:

- *Only the U.S.* fails to provide national health insurance. The Affordable Care Act (if it survives the Supreme Court) is a step forward, but a partial one. U.S. health policies result—and will continue to result—in health expenditure burdens on U.S. workers and their families well above those in other countries, even after accounting for higher taxes elsewhere.
- *Only the U.S.* has no national policy granting workers a minimum number of paid days off each year. As a result, our annual employment hours are among the longest in the world.
- *Only the U.S.* has no national policy granting employees a right to paid sick days. That means that our workers routinely go to work when they are sick, and when their children are sick.

- *Only the U.S.* has no national policy of paid maternity leave in the wake of birth or adoption. That forces millions of U.S. women to choose between returning to paid work before it's safe and feasible, or taking a leave and absorbing an income loss at exactly the moment that their families have expanded.

  In the case of maternity policy, the U.S.'s social policy exceptionalism assumes global proportions. Only four countries *in the world* have no national law requiring paid maternity leave: the U.S., Lesotho, Swaziland and Papua New Guinea. American business leaders often argue that a national policy requiring maternity pay would "bring the macro-economy to its knees." That, in my view, suggests a certain lack of imagination.

In the U.S., the absence of national laws that secure workers' rights—to health insurance, annual leave, sick leave, maternity pay, and the like—adds a further layer of *inequality*. High-earning workers are often granted these rights and benefits through voluntary arrangements provided by their employers.

But, low-paid workers in the U.S. are rarely granted *any* of these supports. As a rapidly growing research literature has established, when we look at earnings and working conditions together, the picture is one of extreme regressivity.

- Finally, among these 25 richest countries, the U.S. invests the smallest share of public dollars in early childhood education and care, and our university students pay the highest tuition. That imposes educational disparities on our youngest children, and constrains equality of access to higher education.

I *could* go on. In the end, my point is a simple one: The miserliness of American social policy leads directly to a multitude of painful consequences.

The Last Three Decades

It is crucial to underscore that the story that I have told is a surprisingly contemporary one. Although earlier generations laid much of the groundwork, it is in the last 30 years that U.S. policy-makers have failed to enact the social protections that our international counterparts have added and extended in recent decades. In the last 30 years, the U.S. safety net has been ravaged, jeopardizing the economic security of the now 60 million families situated in the lower half of the American income distribution.

It is equally crucial to underscore that the high level of tolerance for economic inequality that characterizes the contemporary American political landscape also has remarkably shallow historical roots. Michael J. Thompson—in his 2005 CUNY Graduate Center Ph.D. dissertation, which evolved into the much-praised book *The Politics of Inequality*—demonstrates that the founders of this country saw an *intimate* relation between property and power; they understood economic inequality to be damaging to democracy itself. Thompson's "political history of the idea of economic inequality in America" clarifies that the objection to inequality that was *profoundly American* has disintegrated—and that disintegration has taken place during the last three decades, with the rise and success of neoconservative and neoliberal politics in the U.S.

That is, of course, a frightfully simplified account of U.S. social policy history and American political development. My point is just that we should resist the common refrain that American social policy *is what it is* because of factors engraved in stone centuries ago.

Turning the Ship

This vast, complicated, rich—and unnecessarily unequal—United States of America is *yours*. Whether you are a citizen, a resident, or a visitor—*today*, this country and its institutions, both flawed and admirable, is in your hands.

I have been at the Graduate Center long enough to know that many of you hope for a revolutionary transformation, in the U.S. and in other countries. And you should continue to dream large. But I want to encourage you to dream smaller as well. An array of *entirely imaginable* social policy reforms would sharply reduce economic inequality in the U.S. and mitigate its harmful effects.

The current policy configuration that leads to so many unacceptable outcomes is a social and political construction. It was "made in the U.S.A." It can be un-made. We ought to be able to usher in a social policy system that is admired around the world—and not scorned.

No group could be more prepared than you are to prompt this country to shift course. The fact that you are here today is a testament to your analytic talent, your intellectual discipline, and your unrivalled stamina. Your decision to come to CUNY, and your years spent at the Graduate Center, ensure that you have a certain clarity of vision. And, at least for now, you're probably in the lower half of the income distribution.

Now, on this most exciting of days, I come to my closing plea.

Arm yourself with the facts—and press for change. That might be in Zuccotti Park. It might be in another public space. It might be in Albany. It might be in Washington. Wherever you locate yourself, whatever tool you choose, add your voice—and make some noise.

What does the future hold? We have no way of knowing what an informed and sustained mobilization could accomplish in the U.S. Indeed, the prospects for social policy change are uncertain and hope can be elusive. But, so be it. As Martin Luther King said, "You don't have to see the whole staircase; just take the first step." So, I say: Push on, forge ahead, give it a go.