

A Democratic Means Available to Solve the Crisis

Industrial Revolution Encounters

Bruce R. Thomas

Two years ago an English philosopher named John Patrick Corbett came to Illinois for two months of travel and conversation.

He wrote a paper after his travels, called "Conditions of Progress: A Letter to Friends in Illinois." It is the first in a series called "The Illinois Papers."

While driving in Southern Illinois, Corbett stopped for a walk in the Shawnee National Forest, lost his way and came upon a local farmer. An initial exchange of words turned into a long conversation. By its end, the farmer had offered Corbett an acre of land to settle on, so that both could pursue the independent lives of small landholders.

Corbett sensed in that encounter the last reverberations of the old-time pioneer farmer; it made him wonder, as he put it, "how the individualism that I love as much as did Jefferson and Jackson can survive in a world from which its ancient roots have been torn up."

The roots of American individualism grew out of a soil that has disappeared. Our democratic ideas and practices were born in local community association, in a time when work was primarily agricultural and production a matter of individuals working with hand tools.

Americans with independent economic competence as farmers and craftsmen lived in small communities and so in close daily familiarity with political issues and personalities. Confident, personal judgment was possible.

That age has long passed. The political revolution born out of it has been superseded and overwhelmed by an industrial revolution. Now that industrial revolution, based on assumptions of plenty, has encountered the facts of scarcity. The encounter is a crisis, one that will last for some time.

This essay sketches the crisis

the consequences of problems it cannot solve.

Government is massively involved; a quarter of the Illinois state budget is committed to ameliorating the problems of poverty and ills associated with it. Another third of the state budget is invested in the institution to which we have traditionally looked for solutions to the problems of inequality — education.

The state, then, has a large role in social problems — but that role is to manage the problems, not solve them.

That leads to another paradox. Illinois state government has undergone major transformation in the last decade and equipped itself with the tools of effective leadership. A former Governor of North Carolina, Terry Sanford, once set out 10 specific measures to improve state government. Illinois has accomplished, at no small cost or effort, most of the changes and improvements Sanford recommended.

Unfortunately, such hard-won gains can be consumed and lost within the growth and mounting costs of the social problems industry.

Many of the problems that make up the industry — such as unemployment, poverty and economic dependence of various forms — are to be solved, we believe, by our economic system. It is useful, though perhaps a little uncomfortable, to look at this economic system in terms of its role in the creation of problems. If we take this approach, then a logical question to examine is the distribution of wealth and income in the United States.

Wealth and Income

As taxpayers, we all support a welfare system that is not supposed to exist.

The welfare titles of the original Social Security Act of

1935 seems unfair and also not very sensible: How indeed do we remain safe in such a situation?

We find it difficult to address the issue of our globally inequitable consumption of resources because we have by no means solved real problems of economic justice in our own society. Income is unevenly distributed, and wealth even more so.

Facts about the distribution of wealth and income are not well known. What they reveal flatly contradicts some broadly held assumptions about our progress toward economic equality. Lester Thurow, an economist at Massachusetts Institute of Technology, has assembled data, on the subject.

His data reveals, among other things, that one-half of one per cent of American families control more wealth than the total controlled by over 80 per cent of American families; 7½ per cent of American families control almost 60 per cent of our total wealth; the top 20 per cent of families receive more income than the total income received by the lowest 60 per cent of families.

Such a skewed allocation of wealth and income — which corresponds in no way to the actual distribution of intelligence and ability in the society — is defended and explained in a variety of ways.

One argument is that the important fact is not who controls the wealth, but how it is used.

Its use is investment in the productive enterprises that increase output and hence create jobs and income. This is the trickle down theory. The facts contradict it. As Congressman Henry Reuss has said, "If America is to realize her ideal of equality, we must get our income distribution working towards equality, not away from it."

A second argument holds that

and even more rarely discussed. We seem to believe that extreme concentration of wealth among a select few is acceptable because there remains sufficient wealth for the many. We have believed that steady economic growth distributes its benefits in ways that create some form of equality.

We have believed too that the individual American's access to those benefits are provided through public education. The size of investment in education reflects the strength of belief: one-third of the Illinois state budget is committed to education at all levels. The question must then be asked, does education work to promote economic equality?

Education and Children

Research on the impact of education suggests that it does not work toward equality and sometimes worsens existing inequalities.

Lester Thurow examined data for white American men in the period 1950 to 1970. He found that while shares of education had become more equally distributed, shares of income had become less equally distributed.

A recent report on Chicago sheds some light on the impact of education on I.Q.

Chicago United, a coalition of corporate and community leaders, prepared a scorecard on a number of key indices of urban life; the section on education noted that "a child surviving 12 years of public school would come out with a I.Q. 10 points below the I.Q. with which he or she started."

Such specificity buttresses the more general contention that far too often schools increase rather than decrease the inequalities among students.

To briefly review the profusion of purposes that edu-

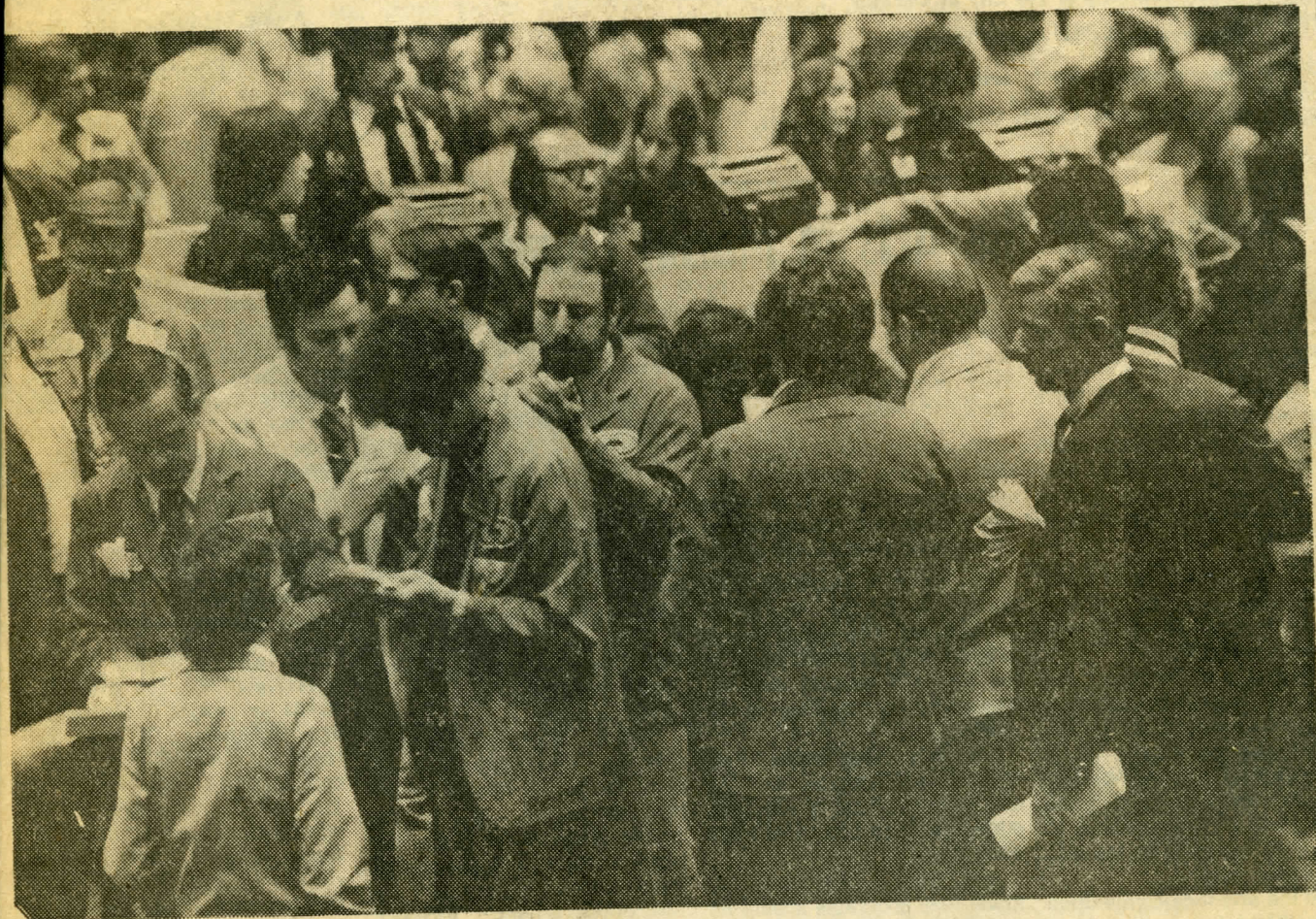
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RAID AND REVIEW

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Section 4

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Who really controls the dollars exchanged at the Chicago Board of Trade? Is that concentration of wealth good for society?

About the Essay

'An Illinois Prospect'

What trends are influencing life in Illinois? What can you do to help mold them to your liking?

This essay, entitled "An Illinois Prospect," addresses those questions and invites your participation in a search for answers.

The author, Bruce R. Thomas, is director of a Chicago-based, non profit research group called The Center for Illinois Studies.

state — collectively called "The Illinois Papers."

Anyone interested in further discussion of the ideas raised in the paper is invited to join in a panel discussion and public forum to be held in Decatur, Thursday, June 3, at 7:30 p.m. in the Westminster Presbyterian Church, 1360 W. Main St., and in Champaign Urbana, Wednesday, June 8 at 7 p.m. at University Place Christian Church.

The forum is one of a series being held around Illinois to

public health, education, defense equipment and construction, the armed services, highway and public building construction. It has become a major source of jobs and accounted for 25 per cent of the total growth of employment in the period 1950 to 1966.

Each of these three sectors accounts for roughly a third of the labor force. The three are of course distributed throughout the nation, and are intricately intermingled.

The line between what is private and what is public has become very blurred. Government contracts for billions of dollars worth of goods and services each year, subsidizes over \$100 billion worth of ac-

throughout the nation. Paradoxically, the need for planning rooted in local purpose and process grows out of global imperatives. These imperatives are most clear in the issue of natural resources.

Natural Resources

Four years ago the OPEC nations forced the western industrial countries to reassess basic energy assumptions.

Today we are still only on the threshold of a national energy policy. Emile Benoit, a economics professor emeritus from Columbia University, has

means of resolving it. It discusses such issues as social problems, wealth and income, education, economic arrangements and planning, and natural resources — but sets out no plan or proposal.

It is concerned with public policy. Policy is best defined as rules to live by in order to achieve a purpose. If policies are public by reason of their public consequences, then public policies are not only those made and executed by public authorities.

Social problems are one constant concern of public policy; they consume vast sums of public and private dollars. The social problems industry makes a good beginning point for discussion.

Social Problems

In Illinois the total yearly investment in social problems is at least \$3 billion a year, and probably closer to \$4 billion. The exact calculation has never been made.

Such an investment represents thousands of jobs — social workers, youth counselors, ward attendants, policemen, psychiatrists, as well as the support people who must deal with mountains of paperwork.

It is a huge industry, the largest in the state. It dwarfs the large private employers such as U.S. Steel and Caterpillar. Were this industry to become profitable (meaning, to fulfill its statutory purposes), thousands of people who work within would lose their jobs — for problems would begin to disappear.

We have created, slowly step by step, such an extraordinarily large and diverse investment in social problems that we have lost any real incentive to solve these problems. The result is a frustrating paradox: The whole is not the sum of the parts. For the parts are people, competent, skilled individuals who often experience success: A family is helped to become more stable, a child is returned to his parents, a criminal is restored to lawful, constructive life.

But the industry as a whole exists, not to solve but to service problems for which its constituent parts were designed as solutions.

Viewing social problems in this perspective casts government in the role of managing

temporary devices that were to wither away, once the economic system got put right and the social insurance programs extended their coverage throughout the population.

The stubborn persistence of our welfare system sits uneasily beside the oft-heard descriptions of this country's vast affluence and disproportionate consumption of world resources.

Our position in the world has been described in the following way: If the world were a global village of 100 people, 6 of them would be Americans. These 6 would have over a third of the village's entire income, and the other 94 would subsist on the other two-thirds. How could the wealthy 6 live "in peace" with their neighbors? Surely they would be driven to arm themselves against the other 94?

On the face of it, such a

gain is necessary to spur individual effort. But this argument is based on a very narrow view of human nature and assumes that everyone works for only a certain kind of reward. In fact, people work for many reasons, including sheer necessity, and are spurred along by many incentives.

To those who would argue that reduction of the extremes of wealth and income distribution might impair economic growth, Thurow replies that significant equalization could occur without any adverse effects on growth.

So we might well echo the question posed by Thurow: "Do we secretly share the belief that the concentration of much of our wealth in the hands of a relative few is somehow essential to the health and stability of our society?"

The question is rarely asked,

tion must serve suggests why it cannot consistently fulfill its democratic mission.

The purposes, explicit and inexplicit, include: Promoting equality (No one should be denied access to education, even if handicapped or disadvantaged; all should be educated to the limits of individual ability), providing employment and preventing unemployment (Education provides millions of jobs to adults, and prevents unemployment by keeping young Americans out of the labor force); providing day care (This is critical to the mothers of school age children who are entering the work force in increasing numbers), promoting integration (We have looked to education to create the foundations of racial harmony).

The work of educating, strictly defined, is not one of the problems faced in education. We know how to create good schools, we have them in Illinois and elsewhere.

Getting clear about confusion and profusion of purpose may not seem like progress and it is in fact a necessary first step. The crisis of education covers many different crises, some of them authentically educational, most of them not.

Many of the issues involved are broadly social and economic. Such is the conclusion of a recent inquiry into the lives of American children by the Carnegie Council on Children. Chaired by Professor Kenneth Keniston, the Council has been at work for several years, examining the unmet needs of American children.

Keniston provided, in a 1975 speech, some preliminary and personal clues to the direction and content of the council's work. He dwelt at some length on the problem of children excluded from the mainstream of society and argued that such excluded children constitute fully one-quarter of all American children.

How, he asked, can we understand this fact of exclusion? He pointed to "one cold and significant fact: The distribution of wealth and income in this nation has not changed materially in 150 years."

Exclusion persists, Keniston argued, not by the villainy of a select few but because we live in a society "driven by the relentless quest for innovation, growth and profit." Many Americans have shared in the profit — but at a price.

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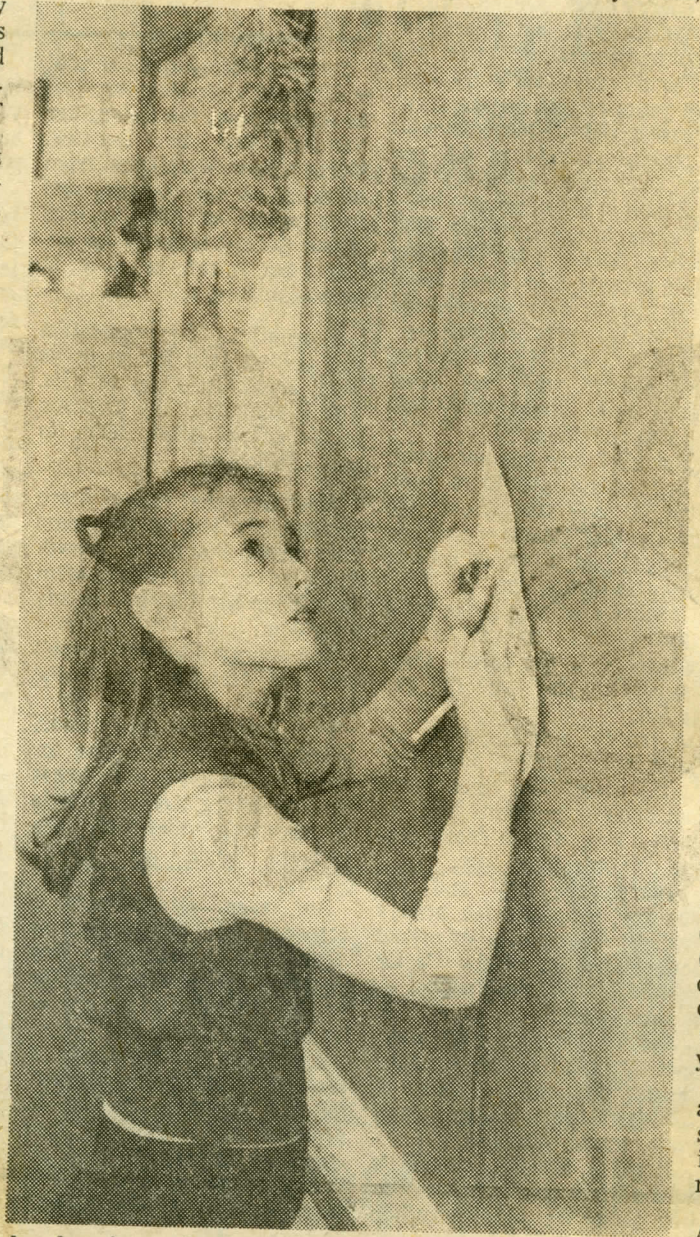
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Thomas is a graduate of Harvard and a former Rhodes scholar at Oxford University. He worked on the staff of the Kerner commission that looked into the civil disorders of the 1960s, was director of the Illinois Institute for Social Policy from 1971-1973 and was deputy director of the state department of children and family services in 1973-1974.

In his earlier years, he has worked as a merchant seaman, steelworker and locomotive fireman.

Thomas' articles printed on this page, are condensed version of draft essay that is the last of series of 14 by a variety of scholars about the

We pay that price, he said, "simply by tolerating a system that wastes a significant portion of the potential of the next generation and wherein the advantage of some rests upon the systematic deprivation of others."

Keniston's words have both a familiar and unfamiliar ring. The relentlessly competitive drives for growth and profit are familiar; the United States is a fiercely competitive society and takes some pride in that fact.

But to say that the advantage of some rests upon the systematic deprivation of others sounds harsh and startling. Are the excluded children, as Keniston argued, "born in the cellar of our society and brought up to remain there?"

To pursue Keniston's argument is impossible without examining in more detail how our economic system works, its relationship to government and to an emerging pattern of national planning.

Economy and Planning

A substantial amount of the economic activity of our country works more by corporate plan than by participation in the supply and demand forces of the open market.

The Exploratory Project for Economic Alternatives summarizes the point in the following way: Estimates have been made that up to one-half of U.S. economic output is produced in industries where market power is so concentrated that prices and outputs are determined primarily by corporate plans rather than

discuss the articles, which also are being printed in other newspapers today.

The forums are supported in part by a grant from the Illinois Humanities Council which is the Illinois segment of the National Endowment for the Humanities.

The findings, conclusions and opinions expressed in this paper do not necessarily represent the view of either the Illinois Humanities Council, the National Endowment or this newspaper.

The photographs that accompany these articles are the work of photography students at Columbia College in Chicago.

short-run supply and demand factors...

Recognition of the realities of the American economy are not confined to the realms of academic observation. Thornton Bradshaw, the president of a major oil company, ARCO, questioned in a recent Fortune article whether the free enterprise system has ever existed anywhere. He noted, however, that "the myth of free enterprise persists."

John Stark, executive director of the Joint Economic Committee of Congress calls the ideal of free enterprise "folklore." According to Stark, "The federal government is the dominant reality in the economy."

What Bradshaw calls myth and Stark calls folklore represents an ideal that has become an attractive quilt covering the bed of a quite different reality. The work of a political economist, James O'Connor, describes the economy in terms of three different sectors.

Only one of the three is competitive. It consists of small businesses operating in local or regional markets. The failure rate in this sector is high, and it includes most of the people whom we call the working poor.

A second sector is non-competitive, and consists of large corporations that deal in basic products sold in national and international markets. This sector is the core of the American industrial system. Very seldom do these corporations fail.

The third sector is the state meaning all levels of government. It includes activities run directly by and performed under contract with the state social services,

activities each year, and assumes an astounding range of what might be called social overhead costs, such as highway construction, training and research programs, technological development and the like. Defense and welfare spending serve a critical function in maintaining levels of consumer demand.

The result of decades of national policy-making is that we have continued to preserve profit as a private matter while making many costs a public matter. Private gain is maintained at public expense. A specific instance is the private control of patents developed out of publicly financed research.

Within the economy as a whole, only one sector can plan effectively and consistently: The private, non-competitive large corporate sector. Its access to investment capital, its constant use of technological innovation, its ability to administer prices, and, through the force of television, to shape and maintain demand, enables it to devise and achieve corporate plans.

The integration of governmental policy with corporate objectives comes about, not by the visible activities of official governmental planning, but by the basic disposition of much government policy in the realms of taxation, regulation, tariffs and defense spending, plus the extensive subsidization activities of government.

The net effect of the apparently uncoordinated, haphazard workings of federal policy and of corporate capitalism is a form of national planning. We are now beginning to hear more explicit words about the need for national planning.

The issue is not whether we will have such planning, but rather, who plans for whose benefit?

It might be useful to scrap the very word planning. Stripped of professional jargon and invested with the elements of power that bring it to life, planning simply means a variety of processes by which people decide on goals, establish means to achieve those goals, and set up trustworthy mechanisms to measure progress. It is a political process.

The issue we face is whether that process can be democratic. If it is to be genuinely democratic, it must have roots in local communities

outlined what an appropriate energy policy would look like.

Benoit wrote a series of three articles for the "Bulletin of the Atomic Scientists" called "The Coming Age of Shortages." Though the Bulletin is a journal of limited and specialized circulation, what Benoit wrote is clear and understandable.

The world today, Benoit wrote, is caught up in an illusion of plenty. Two historical events — the opening of vast new land areas to agriculture and the discovery and use of cheap fossil fuels — have been misunderstood as typical and repeatable. They are neither

Assumptions based on these events, Benoit continued, can no longer shape our lives: We are entering an age of shortages. Productivity increases result largely from increases in energy consumption.

While many people, Benoit noted, have moved beyond subsistence levels, population growth has produced more and more poor people: In 1974, some 800 million people starved or were seriously undernourished.

The potential for mounting disorder and even disastrous conflict increases as population increases and as more countries acquire nuclear technology.

Benoit foresaw the continuation of three trends: inflationary recession; worsening energy squeezes; and world hunger. To deal with both short-term and long-term realities, Benoit recommended an ethic of survivalism, based on three policies: Energy conservation, high investment in certain areas of research and development; and negative population growth.

Benoit wrote with a candor and bluntness that political leaders cannot or will not use. More public candor, as it must inevitably come, will take a variety of forms but will turn around one basic theme: We as Americans will have to reexamine and revise a set of basic assumptions on which our economic behavior is based. Moreover, the nature of our relationship to other countries will have to change.

The change in international relationships is indissolubly linked to domestic change. A survivalist strategy cannot be adopted by a society as unequally organized as American society now is.