

### The income gap in a time of peak oil and global warming

Despite Marketeer fundamentalist dogma to the contrary, all prices are political. While prices adjust to supply and demand, they also are influenced by trade policies, tax policies, business subsidies, labor laws and multitudes of other laws and regulations governing commerce. The laws of the state in which they are incorporated, or otherwise licensed to do business, define even the structures of the organizations involved in commerce.

Tax policies affect the market in ways both obvious and in ways less obvious. Punitive taxes on cigarettes are clearly intended to discourage use, as are high gasoline taxes in Europe. However, all taxes have an effect on how consumers will spend their money, and decisions about whether to fund government functions by either taxes on income, property or sales, likewise determine where, how and how fast consumer dollars and investor dollars will flow. Our government has a large say in what we will be able to purchase, and at what relative price. I say “our” government in the optimistic hope that our democratic government has not been compromised beyond redemption. In a democratic society, the policies which define all the aspects of commerce mentioned above should reflect the people’s will, i.e. a consensus on policies which will further the collective interests of the nation. Obviously there are, have always been, and always will be, conflicts of the interests of different groups in the country. Nevertheless, if “democracy” is to retain any meaning, the policies of the government must not work to the advantage of a small dominant minority and to the detriment of the majority.

At this moment in history, we appear to be facing global warming produced by human activity, and we are certainly facing peak oil, about which the only uncertainty is exactly when this phenomenon will occur. There remain a few hard-core skeptics about the causes of global warming, but none about its reality. While the effects of these phenomena are unpredictable, they are almost certain to be dramatic, violent and rapid. Any viable response will involve a major change in our habits and thinking before the worst consequences appear. The elevation of individual sensibilities and the evolution of conscience in individuals may help us find solutions but will not put them in place.

Since 1973, the gap between rich and poor has continued to grow, albeit unevenly, in the United States until the distribution of American wealth now resembles that of the late 1920’s. The government has many ways to direct the choices of consumers, most through taxation. Just as raising its cost through taxes can reduce smoking, the waste of energy can be dealt with the same way. However, how many wealthy smokers have quit because of the increased cost? Price incentives are effective only if they are meaningful, i.e. only if a currency has a common meaning for all people. That does not mean that all people must

have an equality of wealth. Most of us have noted that frequently, wealthy people have a keener sense of bargains, and of value, than do their less well off neighbors. That may be part of the reason they got to be better off in the first place. However, when the differences of income levels are in multiples of hundreds (or even thousands), increases in prices which are catastrophic for the lower categories will have no motivating effect of the wealthier group whatsoever.

That a small group of spendthrifts wastes scarce resources may not be a problem in the larger picture. It could be argued that countries most likely to be able to modify behavior drastically would be those with a dictatorial government, a small number of enormously rich people, and huge masses of poor people that the government can manipulate at will. There are many such countries today. Russia and China come to mind immediately because of their size. The United States may be headed in that direction but it is not quite there yet, and isn't likely to be in time to face the challenges of global warming and peak oil.

Pundits of the radical right in the US delight in pointing out the hypocrisy of people like Al Gore and John Edwards living in enormous houses while campaigning to get Americans to change their wasteful lifestyles. The real problem is not in their perceived hypocrisy, but in the lifestyle itself. It would seem that we need all the persuasive advocates of change that we can get, regardless of their personal adherence to the new guidelines. The oligarchy is growing in size, wealth, and distance from the rest of American society. Its influence, like its wealth, is far out of proportion to its numbers. Even a mass oriented magazine such as Time now puts out a quarterly supplement on "style", or more accurately, lavish, conspicuous consumption. A recent issue was devoted to the rapidly growing markets for luxury goods in China, Russia and India. "Luxury goods" may be useful to the society in several ways. They give gainful employment to people dreaming up, producing and hawking this stuff. Moreover, like the estate tax, they work against inherited wealth continuing to grow in perpetuity. If hyper rich people are willing to spend five or ten times as much for a car as other people spend for a Toyota that does the same things, that partially compensates for their being paid 400 times as much for their work. There is some question of how much good this does for the US economy, given that most luxury goods these days, from Swiss watches to Lamborghinis, are produced elsewhere. Still, most McMansions are built in US suburbs. Michael Vick's lavish dog training facility was built in SW Virginia, and other such monuments to large signing bonuses, abound throughout the USA. Hedge fund managers, and others whose activities don't require them to work out with the team every day, may prefer to put their money into chateaux in Switzerland or islands in the Caribbean. Wherever they spend their bounty, these people are being held up as paragons of style, models for the masses of the rewards that await celebrity or success. How does a government mobilize the population to drastically modify its lifestyle to consume less valuable and irreplaceable resources when the model of success held up for emulation is that of boundless consumption and exhibitionistic excess?

Just as the oligarchs have become role models for American consumers, the US itself has become a role model for developing countries. Despite our low savings rate and our balance of trade and internal deficits, they see the lavish lifestyle, the glut of stuff, and they vow to have the same. We did it largely on cheap oil and abundant resources. The United States has led the world in economic development. Will it now lead the world over a cliff as the resources run out and consumption continues to expand?