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America's 'Primal Scream'

By **NICHOLAS D. KRISTOF**

IT'S fascinating that many Americans intuitively understood the outrage and frustration that drove Egyptians to protest at Tahrir Square, but don't comprehend similar resentments that drive disgruntled fellow citizens to "occupy Wall Street."

There are differences, of course: the New York Police Department isn't dispatching camels to run down protesters. Americans may feel disenfranchised, but we do live in a democracy, a flawed democracy — which is the best hope for Egypt's evolution in the coming years.

Yet my interviews with protesters in Manhattan's Zuccotti Park seemed to rhyme with my interviews in Tahrir earlier this year. There's a parallel sense that the political/economic system is tilted against the 99 percent. Al Gore, who supports the Wall Street protests, described them perfectly as a "primal scream of democracy."

The frustration in America isn't so much with inequality in the political and legal worlds, as it was in Arab countries, although those are concerns too. Here the critical issue is economic inequity. According to the C.I.A.'s own ranking of countries by income inequality, the United States is more unequal a society than either Tunisia or Egypt.

Three factoids underscore that inequality:

¶The 400 wealthiest Americans have a **greater combined net worth** than the bottom 150 million Americans.

¶The top 1 percent of Americans possess **more wealth** than the entire bottom 90 percent.

¶In the Bush expansion from 2002 to 2007, 65 percent of economic gains went to the richest 1 percent.

As my Times colleague Catherine Rampell noted a few days ago, in 1981, the average salary in the securities industry in New York City was twice the average in other private sector jobs. At last count, in 2010, it was **5.5 times as much**. (In case you want to gnash your teeth, the average is now \$361,330.)

More broadly, there's a growing sense that lopsided outcomes are a result of tycoons' manipulating the system, lobbying for loopholes and getting away with murder. Of the 100 highest-paid chief executives in the United States in 2010, 25 took home more pay than their company paid in federal corporate income taxes, according to the Institute for Policy Studies.

Living under Communism in China made me a fervent enthusiast of capitalism. I believe that over the last couple of centuries banks have enormously raised living standards in the West by allocating capital to more efficient uses. But anyone who believes in markets should be outraged that banks rig the system so that they enjoy profits in good years and bailouts in bad years.

The banks have gotten away with privatizing profits and socializing risks, and that's just another form of bank robbery.

"We have a catastrophically bad misregulation of the financial system," said Amar Bhidé, a finance expert at the Fletcher School of Law and Diplomacy at Tufts University. "Its consequences led to a taint of the entire system of modern enterprise."

Economists used to believe that we had to hold our noses and put up with high inequality as the price of robust growth. But more recent research suggests the opposite: inequality not only stinks, but also damages economies.

In his important new book, "The Darwin Economy," Robert H. Frank of Cornell University cites a study showing that among 65 industrial nations, the more unequal ones experience slower growth on average. Likewise, individual countries grow more rapidly in periods when incomes are more equal, and slow down when incomes are skewed.

That's certainly true of the United States. We enjoyed considerable equality from the 1940s through the 1970s, and growth was strong. Since then inequality has surged, and growth has slowed.

One reason may be that inequality is linked to financial distress and financial crises. There is mounting evidence that inequality leads to bankruptcies and to financial panics.

"The recent global economic crisis, with its roots in U.S. financial markets, may have resulted, in part at least, from the increase in inequality," Andrew G. Berg and Jonathan D. Ostry of the International Monetary Fund wrote last month. They argued that "equality appears to be an important ingredient in promoting and sustaining growth."

Inequality also leads to early deaths and more divorces — a reminder that we're talking not about data sets here, but about human beings.

Some critics think that Occupy Wall Street is simply tapping into the public's resentment and covetousness, nurturing class warfare. Sure, there's a dollop of envy. But inequality is also a cancer on our national well-being.

I don't know whether the Occupy Wall Street movement will survive once Zuccotti Park fills with snow and the novelty wears off. But I do hope that the protesters have lofted the issue of inequality onto our national agenda to stay — and to grapple with in the 2012 election year.

I invite you to comment on this column on my blog, On the Ground. Please also join me on Facebook and Google+, watch my YouTube videos and follow me on Twitter.