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Economic Inequality & Employment

An imbalance between rich and poor is the oldest and most fatal ailment of all republics.
–Plutarch

From shifting job categories, the disruption and decimation of industries, and an impending global skills mismatch, to the concentration of extreme wealth, income inequality, and avoidance of corporate taxes, Silicon Valley's role in furthering economic inequality is hugely important, insufficiently understood, and under-actioned. The role technology plays in changing the conditions and types of employment, as well as reshaping global economics, is not the most publicized problem the industry has weathered, but it will be the next—and it will be the worst. Like other harmful social outcomes in which it is complicit, the tech industry's mentality, priorities, and behaviors have intensified the effects of both economic inequality and job displacement.

The changing nature of employment due to automation has been a recent source of fear, uncertainty, and discord. Some experts argue that the growing role of automated technologies will upend traditional

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employment for a substantial number of people, as machines become increasingly adept at both cognitive and physical tasks. A 2013 study by Oxford researchers Michael Osborne and Carl Frey analyzed 702 distinct occupations and found 47% were at risk of being automated over the next twenty years,[1] which sent both news outlets and the public into an existential employment tailspin. (An article in The Economist subsequently referred to the impending situation as "a jobs apocalypse."[2]) The study is perhaps the most cited (and anxiety-producing) research on the future of employment, but it is also commonly misinterpreted. Frey and Osborne do not say explicitly that nearly half of existing jobs will necessarily be obsolete, only that they will significantly change due to automation. The paper also does not comment on job creation, only job destruction, and thus does not make any predictions about the future of employment or the types of jobs that will be created as technology advances.

Other studies have emerged that mimic Frey and Osborne's research—some with less severe projections, others that paint an even more dire scenario. In 2016, McKinsey predicted that 45% of workers would be susceptible to automation in the next two decades, while the World Bank estimated the number would be closer to 57%. Projections in countries such as Ethiopia (88%), China (77%), and India (69%) are even higher.[3] In the U.K., thinktank IPPR estimates that 44% of roles—equaling the jobs of 13.7 million people—could potentially be automated.[4] Researchers Melanie Arntz, Terry Gregory, and Ulrich Zierahn, however, have much more conservative estimates, putting the number of jobs at risk of full automation at only 9%.[5] The fact of the matter, of course, is that neither the World Bank nor Arntz et al knows with certainty what the future of automation holds, or the exact number of jobs and people that will be affected. What everyone does agree on is that there will be significant changes as certain types of jobs disappear and others are born, that businesses will rely increasingly on automation where possible, that this will put some people out of work, and that the types—and number—of new jobs available are as yet unknown.

The possibility of mass automation in the long-term is an eventuality that should be discussed and prepared for, beginning immediately. The more pressing problem, however, is the transition to a more automated

society that will occur over the next several decades, particularly in countries such as the US, that do not have strong social safety nets. Ben Tarnoff asserts that it is not automation itself that is a problem, but the economic and social insecurity of those who will be affected by it.

> It's reasonable to expect at some point in the next 50 years, technology will proceed to the point that a large number, potentially even most occupations, can be partially or fully automated. If that scenario arrives under our present political and economic arrangement, the consequences would be catastrophic.[6]

The current hypercapitalist economic system in the U.S., in other words, combined with a set of highly individualistic values, would exacerbate the sting of economic inequality in the face of technological unemployment. According to Mathew Lawrence, a senior research fellow at IPPR, "[m]anaged badly, the benefits of automation could be narrowly concentrated, benefiting those who own capital and highly skilled workers. Inequality would spiral."[7]

> Mass automation wouldn't necessarily be a negative development, but if it occurs in a capitalist system designed to funnel the spoils of economic and productivity growth to those who are already sitting on billions of dollars, there's no question that most people would not see the benefits and would likely take to smashing the machines responsible for their immiseration, as so many other workers have done before them. And it would be hard to blame them for it.[8]

The only way to mitigate the inevitable consequences of automation is to begin amending governmental policies to include more comprehensive social programs designed to help people whose roles are disrupted or usurped by technological advancements. Thankfully, to design such a system, we need only look to countries where AI and robotic innovations are anticipated enthusiastically.

In societies where strong social safety nets are in place, such as Sweden, research has found that over 80% of workers express positive views about robots, automation, and artificial intelligence in the workplace.[9] In the U.S., however, these numbers are reversed: 72% of Americans express

concern about the effects of increased automation in the workplace,[10] 73% worry that AI will displace more jobs than it creates,[11] and 76% believe economic inequality will worsen as a result.[12] MIT Technology Review Space Reporter Erin Winick explains that the fear that underlies many Americans' views about automation is largely the result of differences in governmental services and job security.

> Swedish citizens tend to trust that their government and the companies they work for will take care of them, and they see automation as a way to improve business efficiency. Since Swedish employees actually do benefit from increased profits by getting higher wages, a win for companies is a win for workers. … the American tendency to worry about robots' replacing human workers is driven by the severe consequences of losing a job in the U.S. … Sweden's free health care, education, and job transition programs dampen the risk of such undertakings—which may be why people in the country are mostly happy to pay income tax rates of up to nearly 60 percent. The U.S., by contrast, provides almost none of these services. The difference is especially stark in the area of employment assistance: the U.S. spends only about 0.1 percent of GDP on programs designed to help people deal with changes in the workplace.[13]

If increased automation is coming—and it is, perhaps faster than we can currently appreciate—countries such as Sweden and their Nordic neighbors will be vastly better prepared than the U.S., due in large part to their social policies.

A follow-up question, should we decide to help workers navigate the coming wave of change, is, who exactly do we help? Who will require reskilling in their current professions and who will require training for entirely new jobs? Many researchers and futurists have argued that automation will hit those with low and mid-level skills hardest in the coming years,[14] citing multiple studies which have found that, already, "a range of low-skill and medium-skill occupations exposed to automation have suffered employment declines and sluggish or even negative wage growth."[15] A 2017 analysis by PriceWaterhouseCoopers projected the industries most affected by automation will be administrative services, retail, construction, manufacturing, defense, transportation, and the financial sector.[16] Yet there is also growing evidence that highly-skilled workers,

such as physicians, lawyers, teachers, professors, and accountants will soon feel the effects of automation.[17] As Arwa Mahdawi explains,

> Today's technological revolution is an entirely different beast from the industrial revolution. The pace of change is exponentially faster and far wider in scope. As Stanford University academic Jerry Kaplan writes in *Humans Need Not Apply*: today, automation is "blind to the color of your collar." It doesn't matter whether you're a factory worker, a financial advisor or a professional flute-player: automation is coming for you.[18]

The idea that white-collar jobs are equally at risk to the effects of automation is also supported by employment experts Richard and Daniel Susskind, whose book, *The Future of the Professions*, outlines the impending wave of automation and its effects on white collar jobs. As robots and AI encroach on every role from surgery,[19] to military jobs,[20] to the 70 million drivers employed worldwide,[21] we will collectively feel the changes of automation across nearly every industry in the very near future.

There is also the issue of geographic impacts on job loss and economic inequality. IPPR reports that 48% of jobs in the north-east of England are at high risk of being automated, compared to just 39% in London, which the report suggests "could lead to wider geographical inequalities."[22] The same is true in the U.S., according to a 2019 report from the Metropolitan Policy Program at the Brookings Institute, which found that non-metro, "Heartland" states would be significantly more affected than urban centers,[23] a finding echoed by a 2018 Philadelphia Fed report.[24] Stephane Kasriel, CEO of Upwork, has emphasized the "need to acknowledge the uneven geographic impact of automation and take steps, as businesses and collectively as a society, to increase opportunity in geographic areas that are affected adversely."[25] Kasriel cites the research of Daron Acemoglu and Pascual Restrepo,[26] whose work has demonstrated the uneven impacts of automation across different localities:

> What [Acemoglu and Restrepo] found is a strong regional impact: for every new robot introduced in a particular metro region, an estimated 6.2 jobs were lost in the same geographic area. But when examining the country as a whole, they found that the impact was about half or equivalent to three workers losing their jobs for each additional robot. One possible

> explanation is that the automation of industrial jobs in the Midwest and US south is partially offset by new types of jobs in coastal cities. But that's no comfort if you're living in one of the states with a net decline in jobs.[27]

As the prowess of automated machines and AI continues to improve, we can expect to see the impacts of job losses in industries such as manufacturing, which are historically concentrated in more rural cities and states, worsen considerably.

Many experts cite the historical truism that new technology has always replaced human labor, particularly in times of great technological advancement, but new jobs invariably follow to replace those that are lost. The difference in the current technological revolution is not only the outstanding pace of change (writers at the Economist argue that "never before have so many jobs been threatened at once"[28]), but also the quality of forthcoming jobs, and the question of who is equipped to perform them. Even in the event that there is a net job creation, the skills required to fill those jobs will likely not match the skillsets of those whose jobs are displaced. The most pressing problems in the short- to medium-term, then, are (1) the skills gap that will exist between existing jobs that will become automated and new jobs that will be created, and (2) the ability of organizations and governments to help prepare, educate, and transition workers to new roles. The Automation Readiness Index, which studies the preparedness of countries for the coming wave of automation, has found that few policies and programs are in place worldwide to address such changes.

> Business leaders are not displaying much fear. Such anxieties as they have about these technologies are more about being caught out by market disruption. Thus many are speeding ahead to integrate AI or advanced robotics into their operations. That pace will accelerate in the next few years, and the actual impacts on economies and workforces will begin then to become clearer. To avoid a vacuum, countries will need to put policies and plans in place to help individuals (and to some extent businesses) take maximum advantage of the opportunities that these technologies offer. Policies will also be needed to mitigate the negative impacts resulting from the displacement of some categories of workers from their familiar roles. In both cases it is a matter of policies and strategies that help workforces make the transition to a more automated economy.[29]

Regardless of the types of jobs affected by automation, a new social need will arise for programs that support, train, and reskill workers who are displaced by technology, alongside more comprehensive social safety nets. In a New York Times op-ed, Louis Hyman suggests it is not technology that will displace humans from their jobs, but the values at play in the corporations driving technological change.

> The history of labor shows that technology does not usually drive social change. On the contrary, social change is typically driven by *decisions* we make about how to organize our world. Only later does technology swoop in, accelerating and consolidating those changes. This insight is crucial for anyone concerned about the insecurity and other shortcomings of the gig economy. For it reminds us that far from being an unavoidable consequence of technological progress, the nature of work always remains a matter of social choice. It is not a result of an algorithm; it is a collection of decisions by corporations and policymakers.[30]

At the heart of the employment problem is again the subject of values, particularly those that are informed by profit rather than social value.

The Gig Economy & Workers' Rights

The adaptability of the workforce in the face of such swift and unprecedented change is complicated by the type of work that has become available. According to Daniel Alpert, a senior fellow in macroeconomics at Cornell Law School, there has been a resounding degradation in the quality of jobs over the last 25 years, noting that we have "become far more dependent, especially since the recession, on low-wage, low-hour jobs… [which] don't pay very much at all."[31] The employment options that for many decades fueled the middle-class are going missing. Such jobs, which were based primarily on "routine manual and routine cognitive tasks,"[32] have been increasingly automated as the world shifts from a "material-based economy" to a "knowledge-based economy."[33] The decimation of such roles leaves workers in a precarious situation: more and more people have been forced to take on not only lower-skilled jobs but,

in many cases, multiple jobs, in order to replace the income they have lost as their previously better paid, middle class jobs have disappeared. As MIT professor Erik Brynjolfsson explains, "the great paradox of our era" is that

> [p]roductivity is at record levels, innovation has never been faster, and yet at the same time, we have a falling median income and we have fewer jobs. People are falling behind because technology is advancing so fast and our skills and organizations aren't keeping up.[34]

As robotics are combined with advancements in deep learning and AI, Brynjolfsson and others expect the effects of the burgeoning two-class job market to become even more pronounced.

The effects of an increasingly bifurcated employment landscape can be seen in the growing number of freelancers, gig economy workers, and those working multiple jobs. As job stability, working opportunities, and pay have all decreased, many have had to scramble to cobble together work by any means necessary. While unemployment in the U.S. remains at the lowest level in decades, the type and amount of work people are undertaking has changed dramatically—and not for the better. As Scott Galloway describes, "[i]t's never been easier to get a job, but it's never been harder to get a well-paying job." The result, he argues, is "an economy that is bifurcating into what could loosely be described as 350 million serfs serving 3 million lords," an intensely divided "labor market, where people with advanced skills earn higher wages but where workers without those skills see technology drive down demand for their services, depressing their pay."[35] The reason, again, comes back to corporate priorities.

> Effectively we've decided again that what's good for the consumer and good for the shareholder is good for society writ large. There are three entities here: there's consumers, there's shareholders, and there's workers. We have purposefully opted to treat the consumers like royalty, to treat shareholders like kings and queens, and the serfs are the workers…. We have literally reshaped the economy to serve a small number of very talented and very lucky people.[36]

You don't have to look very far to see Galloway's fears being realized. If you have taken Uber or Lyft, had packages delivered from Amazon, or used Seamless, DoorDash, or any number of food delivery apps, you have already witnessed first-hand the divided labor market Galloway describes.

The rise of the gig economy, or what the U.S. Bureau of Labor Statistics refers to as those working in "alternative working arrangements," accounted for over 10% of the U.S. workforce in 2017.[37] This includes "Uber drivers, freelance graphic designers, and people who find work through temp agencies"; it does not, however, include those who work full-time and have a second gig job, nor does it include those who have diversified sources of income from multiple sources of employment.[38] A more accurate picture of gig work is reflected in a report from the Federal Reserve, which found that almost one-third of adults participated in some form of gig work,[39] or a study by Upwork, which reported that in 2017, 36% of the U.S. workforce was freelancing.[40] In addition to the more obvious examples of gig work, such as drivers, on-demand cleaning services, and an army of freelancers, contractors at large tech companies within Silicon Valley face many of the same issues. In 2018, over half of Google's workforce was comprised of contractors, who did not receive the same benefits as regular employees, such as stocks, job stability, insurance, paid leave, and healthcare.[41]

The central promise of the gig economy rests on the notion of autonomy and the idea that people can choose to work when and where they want. The flexibility promised by gig jobs—particularly service-related positions in the app-driven on-demand economy—is often overshadowed by the unpredictability of work available, the flooding of the market, and the lack of worker protections. The most well-known example is Uber's creation of "driver-partners," who act as contractors for the company, carrying out the brilliant day-to-day service that customers pay for, but who do not in any way share in its vast $75 billion of equity.[42,43]

> Of all those Uber has managed to anger—regulators, cabbies, riders—it has done worst by its own drivers. Treated as contractors, not employees, drivers have complained that they can't make enough money under Uber's pricing system. They have protested the service's constantly changing rules. They've been frustrated when no one at Uber has helped to resolve

> problems quickly. At best, Kalanick seemed to ignore them, and at worst he intimated they'd be eventually replaced by autonomous vehicles. By the start of 2017, the company recognized it had a problem. Only a quarter of the people who'd signed up to drive for Uber were still doing so a year later, according to news reports.[44]

In May 2018, Uber and Lyft drivers staged massive protests and strikes in response to low wages and lack of pricing transparency for drivers. The protests were held across a number of Uber's biggest markets, including San Francisco, London, and New York, and occurred just days before Uber went public. (Uber, it should be noted, has yet to make a profit in its 10-year history.)

The pressures workers experience in the gig economy bring up important questions around workers' rights in the digital age. Should workers in the delivery companies utilized by Amazon, for example, be eligible for sick pay, holiday pay, and the national minimum wage? The GMB union, which represents the drivers used by Amazon in the U.K., believe so, and have taken legal action to dispute Amazon's classification of these workers as "self-employed."[45]

> The day to day reality for many of our members who deliver packages for Amazon is unrealistic targets, slogging their guts out only to have deductions made from their pay when those targets aren't met and being told they're self-employed without the freedom that affords. Companies like Amazon and their delivery companies can't have it both ways—they can't decide they want all of the benefits of having an employee, but refuse to give those employees the pay and rights they're entitled to (sic). Guaranteed hours, holiday pay, sick pay, pension contributions are not privileges companies can dish out when they fancy. They are the legal right of all UK workers, and that's what we're asking the courts to rule on.[46]

Uber faced a similar lawsuit, which argued drivers should be classified as employees. The drivers won, but Uber has appealed the ruling.

Yet another troubling finding related to the employment dynamics of several Silicon Valley companies is the working conditions endured by employees, particularly those whose products and services rely on large numbers of manufacturing and warehouse staff. Amazon's fulfillment

centers are amongst the most prolific offenders, with charges ranging from "intolerable working conditions," to penalizations for sick days, and wages so low that employees have been seen camping outside.[47] Conditions inside Amazon's facilities have been documented by journalists and undercover reporters, including James Bloodworth, who worked in an Amazon warehouse as part of his research for *Hired: Six Months Undercover in Low-Wage Britain*. Bloodworth found not only were Amazon employees regularly injured on the job, but also that fulfillment demands necessitated they work impossibly long hours and not take scheduled breaks. In order to meet Amazon's productivity requirements, some employees urinated in bottles, rather than take bathroom breaks and risk penalization for missing their targets, Bloodworth reported.[48] Former Amazon employee Vickie Shannon Allen recounts her experience working for the company in a series of videos posted to YouTube, in which she chronicles the back injury she suffered due to faulty equipment and subsequent abuses by Amazon, which included sending her home without workers compensation and eventually dropping her medical coverage. In the months that followed, Allen lost her home, was forced to live out of her car, and would go days without eating.[49]

Stories similar to Allen's are plentiful, as are legal filings against the company related to workers compensation and unsafe working conditions. In 2018, Amazon's U.S. warehouses "were listed on the National Council for Occupational Safety and Health's 'dirty dozen' list of most dangerous places to work."[50] Reporter Michael Sainato explains the reason for the escalating hazardous working conditions, injuries, and harm come back to "Amazon's emphasis on fulfilling a high demand of orders [which] has resulted in unsafe working conditions for its warehouse employees."[51] A similar dynamic has ensued at Tesla, where long hours, high stress, infrequent breaks, and production targets have led many workers to leave and/or take legal action against the company for injuries and unsafe working conditions. In 2018, the company came under investigation by the Division of Occupational Safety and Health to determine whether it had incorrectly reported safety issues and injuries, after charges were leveled that Tesla had mislabeled employee injuries as personal medical cases rather than work-related injuries.[52]

Such examples illustrate that the financial, social, and human consequences of alternative work go far beyond the obvious, important problem of making ends meet. Injuries, deteriorating mental health, and decreased worker protections are each central to the rise of the bifurcated job market and its reliance on part-time, contracted, and low-wage workers.

The Haves and the Have Nots

As of early 2019, Amazon's CEO Jeff Bezos ranked as the world's richest person, with an estimated net worth of $112 billion. Bill Gates ranked second with $90 billion; Mark Zuckerberg fifth with $71 billion. Of the top 26 places on the list, 11 were tech executives or VCs.[53] Those same 26 people, according to Oxfam's annual inequality report, now control the same amount of wealth as 3.8 billion people.[54] (The previous year, that number was 42.) Let that sink in for a second, because it's really important we all agree how bizarre and tragically unequal these numbers are. Twenty-six. Compared to 3,800,000,000. A group the size of a kindergarten classroom currently controls the same amount of wealth as half the planet's population. Regardless of what you think about how these 26 people spend, save, or distribute their money, the fact that such a small group has been allowed to accumulate such extreme wealth is hugely problematic. Perhaps nothing further needs to be said to illustrate the tragedy of wealth concentration amongst executives and the rest of the world's population, or the increasing role tech corporations and their executives play in controlling that wealth. (Just try to stop me, though; I find myself fueled by both a deep revulsion and a lot of coffee.)

If you were to read up on global prosperity—if you do, I cannot recommend Hans Rosling's book *Factfulness* highly enough—you would discover that, all in all, the world is vastly improving. Our achievements over the past several decades alone include: improved education for women and children, markedly fewer human rights violations, increased life expectancy, fewer wars, health improvements across a number of fronts, greater access to water and electricity, and the uptake of life-saving vaccinations. We have also reduced the proportion of people living in

extreme poverty by almost half. Indeed, with the exception of impending environmental catastrophe, we're doing quite well on the majority of challenges we face as a species, particularly economic growth.

Explain these happy findings to someone living in rural West Virginia, however, where both labor force participation and job growth are among the lowest in the U.S. and living standards have dramatically decreased over the past two decades, and you'll probably be met with righteous skepticism. This is because the U.S. is, according to the 2016 Poverty and Inequality Report, "the most unequal rich country on earth, a conclusion that holds equally for absolute or relative measurement."[55] For good reason, over two-thirds of U.S. and European citizens are worried about current levels of economic inequality.[56] Despite economic growth, increased democracy, and better health outcomes globally, in a number of Western countries, including the U.S. and U.K., both wealth and income inequality have become far more pronounced. The misrepresentation in these countries that the economy is healthy because the markets are performing well can only be touted for so long. A booming stock market doesn't matter to the masses of people who can't afford to buy stock, let alone groceries or healthcare.

The concentration of wealth identified in Oxfam's inequality report illustrates the problem of increased capital held by a small elite, and the economic struggles faced by the majority of the population. In 2017, a UN report on poverty and human rights found that more than 40 million Americans were living in poverty (which equates to 12.7% of the U.S. population), half of whom were considered to be living in deep poverty, meaning their income was "below one-half of the poverty threshold."[57] A 2019 report by the National Low Income Housing Coalition (NLIHC) illustrates why this might be the case for so many Americans. NLIHC found that in order to afford a modest 2-bedroom apartment in every one of the 50 states across the U.S. required an income of at least twice the federal minimum wage.[58] In states like Hawaii, California, and Massachusetts, the cost of a basic apartment required an income approximately five times the federal minimum wage, meaning someone in Hawaii making $7.25 an hour would need to work 3.6 full-time minimum wage jobs to afford an apartment in the state.[59] In the U.K., poverty statistics are even worse. The Joseph Rowntree Foundation puts the

poverty rate in London at 27% and the U.K. national average at 21%. The report also showed the number of people living in poverty in the U.K. had more than doubled between 2005 and 2016, from 2.2 million to 4.5 million people. As in the U.S., the majority of these people (3.8 million in the U.K.) are actively employed, meaning that 1 in 8 workers in the U.K. live in poverty, often while working more than one job.[60]

Poverty is a notoriously hard measure to calculate, given the differences in costs of living across the world. One of the most useful methods to determine poverty thresholds is the Supplemental Poverty Measure, which defines poverty as "the lack of economic resources for consumption of basic needs."[61] This takes into account the cost of living in different states, which includes housing, taxes, food, clothing, utilities, and government assistance programs, all of which may be appreciably higher or lower than the national average.[62] Interestingly, the state with the highest supplemental poverty level in the U.S.—by a longshot—is California, with an estimated 23.8% of its residents living at or below the poverty line.[63] California, which has the fifth largest economy in the world and the largest in the U.S., ranks 46th in the nation for opportunity, 43rd for fiscal stability, and dead last for the quality of life, according to McKinsey's and U.S. News's Best States Project, which ranks states across eight categories using 77 metrics.[64]

The extreme wealth and extreme poverty in California illustrate the problem of concentrating money in a small number of hands (or bitcoin accounts, or mattresses, or wherever they put it these days), as well as the fact that trickle-down economics does not work. The pain of wealth concentration, according to Anand Giridharadas, is an issue that bridges political divisions and is felt equally among both conservative and liberal voters.

> Millions of Americans, on the left and the right, feel one thing in common: that the game is rigged against people like them. Perhaps this is why we hear constant condemnation of 'the system,' for it is the system that people expect to turn fortuitous developments into societal progress. Instead, the system—in America and around the world—has been organized to siphon the gains from innovation upward, such that the fortunes of the world's billionaires now grow at more than double the pace of everyone else's.[65]

Another compelling warning against the vast and swelling economic inequality in the U.S. comes neither from an economist nor a social activist, but from billionaire Nick Hanauer, the first non-family investor in Amazon. In an open letter to his fellow billionaires in POLITICO Magazine, Hanauer explains the dangers of allowing extreme amounts of wealth to become concentrated in a small subset of the population.

> [L]et's speak frankly to each other. I'm not the smartest guy you've ever met, or the hardest-working. I was a mediocre student. I'm not technical at all—I can't write a word of code. What sets me apart, I think, is a tolerance for risk and an intuition about what will happen in the future. Seeing where things are headed is the essence of entrepreneurship. And what do I see in our future now? I see pitchforks. At the same time that people like you and me are thriving beyond the dreams of any plutocrats in history, the rest of the country—the 99.99 percent—is lagging far behind. The divide between the haves and have-nots is getting worse really, really fast. In 1980, the top 1 percent controlled about 8 percent of U.S. national income. The bottom 50 shared about 18 percent. Today the top 1 percent share about 20 percent; the bottom 50 percent, just 12 percent. But the problem isn't that we have inequality. Some inequality is intrinsic to any high-functioning capitalist economy. The problem is that inequality is at historically high levels and getting worse every day. Our country is rapidly becoming less a capitalist society and more a feudal society. Unless our policies change dramatically, the middle class will disappear.

Hanauer points to an essential truth that corporations everywhere will soon discover the hard way: that economic inequality in the U.S. is gutting the middle class and, by extension, its customer base. Citing Henry Ford's decision to pay his workers lavishly above their market value, Hanauer observes that if you demolish the middle class, there will be no one left to buy home assistants and smart refrigerators. Instead, he advocates for "middle-out" economics, which he describes as a "long-overdue rebuttal to the trickle-down economics worldview that has become economic orthodoxy across party lines—and has so screwed the American middle class and our economy generally."

> Middle-out economics rejects the old misconception that an economy is a perfectly efficient, mechanistic system and embraces the much more accurate idea of an economy as a complex ecosystem made up of real people who are dependent on one another. Which is why the fundamental law of capitalism must be: If workers have more money, businesses have more customers. Which makes middle-class consumers, not rich businesspeople like us, the true job creators. Which means a thriving middle class is the source of American prosperity, not a consequence of it. The middle class creates us rich people, not the other way around.

Finally, Hanauer ends with an extrapolation of the existing economic paradigm:

> If we don't do something to fix the glaring inequities in this economy, the pitchforks are going to come for us. No society can sustain this kind of rising inequality. In fact, there is no example in human history where wealth accumulated like this and the pitchforks didn't eventually come out. You show me a highly unequal society, and I will show you a police state. Or an uprising. There are no counterexamples. None. It's not if, it's when.[66]

Hanauer recognizes a series of truths that other billionaires, such as Chris Hughes, one of Facebook's co-founders, are starting to realize: not only do people suffer in an economically unequal society, but there is also very real danger inherent in unchecked economic inequality. In 2019, Hanauer and Hughes, along with 16 other billionaires, wrote an open letter to U.S. 2020 presidential candidates in support of a wealth tax on America's 75,000 wealthiest families. The group argued that higher taxes on the ultra wealthy would both constitute the ethical course of action and could also "help address the climate crisis, improve the economy, improve health outcomes, fairly create opportunity, and strengthen our democratic freedoms."[67]

Though pitchforks may not be the weapons of choice, the likelihood of uprisings in the face of grossly uneven wealth distribution is historically substantiated. In Branko Milanovic's book *Global Inequality*, the economist and professor explains that inequality is cyclical, as are the revolts against it that almost always result. Milanovic uses the example of the industrial revolution, in which wealth vastly increased for some and

was depressed for others, creating a “divergence of paths [that] widened global inequality.”[68] According to Milanovic, the more unequal a society becomes, the greater chance there is for social unrest, riots, revolution, and war. This has been the case in numerous historical uprisings, including the French Revolution, American Revolution, and even as far back as ancient Greece, where Aristotle famously observed “poverty is the parent of revolution and crime.”[69] The research of historian Walter Scheider, author of *The Great Leveler: Violence and the History of Inequality from the Stone Age to the Twenty-First Century*, also indicates that, historically, extreme economic inequality is almost always followed by war, uprisings, or social violence.[70]

Let’s take Amazon as an example. On one hand, customers get their products at lightning speed, investors and stockholders happily watch the company’s shares skyrocket, and Jeff Bezos gets to sit around one of his six mansions with $112 billion in his bank account. On the other hand, the working conditions at a number of its facilities have been exposed to be subpar, to say the least, and in some cases downright dangerous. One employee called Amazon’s warehouse an “isolating colony of hell,” another said warehouse staff were “treated like robots.”[71] Employees sleep on the ground outside of fulfilment centers, skip bathroom breaks, and pee in jars to meet their targets; some sustain life-changing injuries in the process. Many others threaten or commit suicide. Between 2013 and 2018, journalists Max Zahn and Sharif Paget report that employees called 911 “189 times for suicide attempts, suicidal thoughts, and other mental-health episodes.”[72] Half of the company’s employees make less than $28,446 a year and, according to reports, one-third of Amazon employees in Arizona are on food stamps. By all accounts, Amazon does not take care of its factory employees. In November 2018, following significant public scrutiny, Amazon raised its minimum wage to $15/hour. The same month, presumably in order to balance its books, the company ended its Variable Compensation Plan, which offered employees attendance and productivity bonuses in the form of stock incentives. At Whole Foods, which Amazon owns, employee hours were cut significantly following the wage increase.[73] As Annie Lowrey reports, Amazon has also fought to keep its workers from unionizing.

> Since its founding nearly three decades ago, Amazon has again and again sought to prevent the unionization of its workforce, a development that would likely bolster wages and improve working conditions. Amazon has reportedly shut down operations where workers were seeking to organize, fired employees advocating for unionization, hired law firms to counter organizing drives at warehouses around the country, and given managers instructions on how to union-bust.[74]

Whether employees are eventually able to unionize or not, how long would you expect them to continue accepting the circumstances in which they find themselves, working for the world's richest man, under some of the poorest conditions?

Lowrey goes on to say that Bezos is hardly to blame for the wealth he has accumulated and should not be criticized for his choice not to donate to philanthropic causes. (Bezos, famously, "unlike Gates or Zuckerberg, has given away only a tiny fraction of his fortune", Lowrey explains.) What Lowrey argues is to blame, is in fact a series of policy failures at the very highest levels of government.

> [W]ealth concentration is bad for the economy and the country itself, and the government has failed to counter it. Rising inequality fuels political polarization and partisan gridlock. It slows economic growth, and implies a lack of competition that fuels economic sclerosis. It makes the government less responsive to the demands of normal people, potentially putting our very democracy at risk. Bezos's extraordinary fortune shows that the game is rigged.[75]

Experts agree that the policies that have birthed such profound inequality must be rectified if we are to avoid potential civic unrest. New York City Mayor Bill De Blasio has argued repeatedly that the hypercapitalist economic system in the U.S. is rigged to benefit the rich and contended that too much money has been "in the wrong hands" for too long.

> Look what's happening… all over the country: millions upon millions of people literally can barely make ends meet. Working people—who are working one job, two jobs—working harder than ever, working longer hours than ever, the pace of our lives gets tougher and tougher and people

> get less and less back. Why? Because the 1% really has rigged the system, including [Trump's] recent tax law, that gave a huge windfall to the corporations and the wealthy. This is systematic… this has been an agenda, from Reagan's administration right on through to Trump's: to take money from working people and give it to the 1%. So when I say there's plenty of money in this country, it's just in the wrong hands, it means to say, we need policies that give back to working people, like guaranteeing healthcare for all. It's clear to me why it's wrong, because government policies gave the 1% every conceivable leg up. This was not by accident, this was an agenda, it was systematic.[76]

The U.S. Democratic party's 2020 Presidential race has been largely structured by the narrative of economic inequality; candidates like Elizabeth Warren, Bernie Sanders, and Pete Buttigieg, have campaigned on the message that the corporate-political game is rigged in favor of the rich, with Warren drawing attention to the central role tech companies have played in furthering economic inequality.

The problem of mounting economic inequality is larger than Silicon Valley. The system that has allowed such deep concentrations of money to become lodged in the pockets of so few—mostly white, mostly male—executives is not the tech industry's fault. As the world increasingly shifts to a knowledge- and information-based economy we must readily acknowledge that this is where the majority of wealth and income will continue to be diverted. The economic advantages and vast wealth of both the industry's executives and its corporations have become more pronounced every year. In 2006, only one tech corporation, Microsoft, ranked among the world's most valuable six companies; by 2016, five of the top six spots were claimed by tech companies (Apple, Alphabet, Microsoft, Amazon, and Facebook). Information is the most valuable resource in the world; it is the future of the economy; and it is increasingly held by a very small number of obscenely wealthy executives and stockholders.

A solid first step would be to take off the rose-colored glasses that have led us to believe tech companies are different than other multinational corporations. As Scott Galloway contends, we have found ourselves "in the midst of a dramatic market failure, one in which the government has

been lulled by the public's fascination with big tech."[77] A second measure is to ensure billionaires (and millionaires and corporations, for that matter) are appropriately taxed and regulated. Lowrey points out that because Bezos "takes paltry salary, in relative terms… his gains are subject to capital-gains taxes, which top out at just 20 percent; like Warren Buffett, it is possible he pays effective tax rates lower than his secretary does." According to a report from the Institute on Taxation and Economic Policy (ITEP), despite making hundreds of millions and, in Amazon's case billions of dollars in profits, several tech companies not only didn't pay any federal corporate taxes, but actually got tax rebates. Amazon netted over $10.8 billion in profits in 2018, paid no federal corporate income tax, and received a rebate of $129 million. IBM similarly earned $500 million in income in the U.S., paid no federal tax, and received a tax rebate of $342 million, making their effective rate a staggering −68%. Netflix also had a negative tax rate: they made $856 million in profits and received $22 million in tax rebates.[78] In addition to tax breaks for the world's wealthiest companies and the billionaires who run them, tech companies like Facebook, Apple, and Google have been criticized for avoiding corporate taxes, which they accomplish largely by shifting profits to lower-tax regions, such as Ireland (Amazon moves its profits as well, but records its European sales in Luxembourg).[79] As Galloway notes, Google paid more in fines in the E.U. in 2018 than it did in taxes.

* * *

Inequality is not only associated with acute financial stress at an individual level, it is also correlated with political polarization,[80] violence, homicide, decreased health and mental health outcomes.[81] Researchers have repeatedly demonstrated how capitalist values, when taken to an extreme, directly contribute to a decline in social wellbeing, a decrease in social capital, and an increase in psychopathology throughout society.[82,83] These findings hold true not only for those on the losing end of the economy, but everyone in an economically inequitable society, even its richest citizens. Inequality.org explains that high levels of inequality "negatively affect the health of even the affluent," as inequality decreases social cohesion,

which "leads to more stress, fear, and insecurity for everyone."[84] The social environment of modern industrialized hypercapitalist countries, according to researcher and family medicine practitioner Brandon Hidaka, has become significantly depleted in countries such as the U.S., which are increasingly competitive, threatening, and socially isolating.[85] Unequal, competitive societies tend to abandon interest in the collective good, while in more equal societies, such as Sweden and Japan, members of the community are more likely to help one another, contribute to common social goals, such as volunteering, and support initiatives that benefit the population as a whole.[86] In their book, *The Inner Level*, epidemiologists Kate Pickett and Richard Wilkinson show that highly unequal societies suffer far worse outcomes in nearly every measurable category, including happiness. They conclude that happiness comes down not to how much money a country has, but how its wealth is distributed.

Everyone deserves to have a job and, as Elizabeth Warren is fond of saying, "one job should be enough." Everyone deserves to make a fair income, access basic human rights, like education and health care, have agency over their decisions, and contribute to the conversation about where the world is going. The richest countries in the world should not be the most unequal. A more equitable distribution of wealth and opportunity is the only answer to what is fast becoming the most important existential question in America and abroad: why do the rich keep getting richer while economic inequality worsens? Likewise, if we are to fix the social impacts born of our technological products, Silicon Valley must reconsider the individualist, libertarian ideals that motivate it.

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