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Overcoming the Systemic Challenges of Wealth Inequality in the U.S.

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Tools

Introduction

The galvanizing public murder of George Floyd and the disproportionate impact of COVID-19 on Black and Hispanic people have put structural racism and its influence on wealth inequality in the U.S. into stark relief. As multiracial groups express outrage at these visible disparities, we risk missing the other side of the coin: that wealth inequality in turn fans structural racism.

The role of wealth inequality in reinforcing structural racism, as well as in corroding the viability of our economy, social discourse, natural environment, and government's ability to ensure the public good, threatens our nation's very foundation. While wealth inequality was a major concern in the 2020 presidential campaigns of Sens. Bernie Sanders, D-Vt., and Elizabeth Warren, D-Mass., it now risks being set aside — to our peril.

The fact is that the rich are getting richer, and the poor are getting poorer. In the U.S. alone, the top 1% of families now earn more than 20% of the country's total income, and the top 0.1% hold 22% of total household wealth. Together, the wealthiest 160,000 families own as much wealth as the poorest 145 million families (Matthews, 2014). More recent data uncover an even more dramatic fact: The 400 richest American households paid a lower average tax rate (23%) in 2018 than any other income group. In turn, the rate paid by the bottom 10% of households was an average of 26% (Suez & Zucman, 2019). Furthermore, the gap between rich and poor has been widening since the 1970s; family income has remained flat for the bottom 20% of households while it has increased 60% for the wealthiest 5% of the population (Stone, Trisi, Sherman, & Horton, 2016).

Key Points

- The galvanizing public murder of George Floyd and the disproportionate impact of COVID-19 on Black and Hispanic people have put structural racism and its influence on wealth inequality in the U.S. into stark relief. As multiracial groups express outrage at these visible disparities, we risk missing the other side of the coin: that wealth inequality in turn fans structural racism. Moreover, as they reinforce each other, these two factors erode the social, economic, and political viability of our democracy. Understanding and then breaking this vicious cycle are essential to realizing our renewed commitment to a country that works for everyone.
- This article seeks to draw renewed attention to the damaging impacts of wealth inequality, its root causes, and strategies for overcoming it. More broadly, it presents proposals for what leaders in the nonprofit, public, and private sectors can do to assert our country's underlying moral values of self-reliance and community, rebuild our devastated economy in a way that works for all citizens, and reestablish reason and fairness in the political sphere.
- This article specifically applies systems thinking to identify the root causes of wealth inequality, including structural racism, and then proposes four primary strategies for both fairly distributing and generating new wealth.

Our country's fractured response to COVID-19 has exposed the fault lines between rich and

This article applies systems-thinking principles and tools to understand the root causes of our growing inequality and identify high-leverage interventions to address it.

poor even more dramatically. Low-paid essential workers, who are disproportionately African Americans or people of Hispanic origin, provide food, health care, delivery, and other services — often without adequate safeguards to protect their health. Others have no employment at all; data show that unemployment has been highest among Black and Hispanic Americans (USA Facts, 2020). Moreover, social safety nets such as public health and unemployment protection have been weakened to the point where they barely serve people's basic needs.

Both in the U.S. and elsewhere, economic inequities and political conflicts are connected to social and racial tensions. Poorer members of the ethnic majority often blame immigrant populations for taking away jobs they perceive as rightfully theirs. Attacks on minority populations are fueled in part by the elite to divert attention from their own complicity in the perpetuation of inequity. Republicans in the U.S., beginning with Arizona Sen. Barry Goldwater in 1964, and even Democrats such as former Presidents Bill Clinton and Barack Obama have used coded language such as "states' rights," "law and order," "ending welfare as we know it," and "illegals" to target people of color and immigrants as the source of the nation's difficulties (Lopez, 2014). Historically, structural racism aimed at Black people has persisted since the first slave ships arrived in the Americas in 1619 and fueled our nation's economic growth.

The purpose of this article is to draw renewed attention to the damaging impacts of wealth inequality, its root causes, and strategies for overcoming it. We will look at how wealth inequality intensifies structural racism and undermines the potential of government to ensure a more balanced distribution of resources, generate new wealth, and even stem the COVID-19 epidemic. More broadly, we will propose what leaders in the nonprofit, public, and private sectors can do to assert our country's underlying moral values of self-reliance and community, rebuild our devastated economy in a way that works for all citizens, and reestablish reason and fairness in the political sphere.

This article applies systems-thinking principles and tools to understand the root causes of our growing inequality and identify high-leverage interventions to address it. Along the way readers will learn:

1. why a systems approach is so important in addressing multiple symptoms of social, economic, and political dysfunction;

2. how a relatively simple systems analysis explains the root causes of economic inequality, social injustice, and political instability;

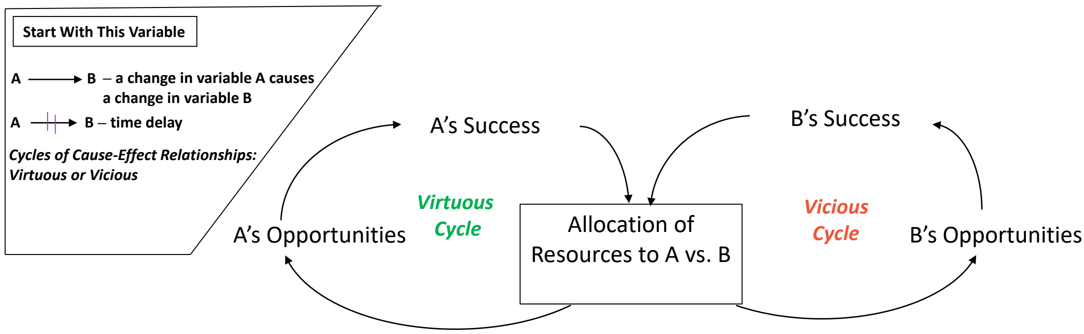
3. the underlying beliefs and assumptions that drive these dysfunctional dynamics; and

4. four fundamental strategies for achieving greater economic equality, social justice, and political stability.

Benefits of a Systems Approach

The COVID-19 pandemic represents a unique opportunity both to heighten people's understanding of why the U.S. lags behind other countries in our ability to respond to the crisis and to identify what we can do to build greater system-wide resilience to future threats. A systems approach illuminates often nonobvious interdependencies across seemingly disparate problem symptoms and identifies the root causes that spawn them. It provides several benefits when addressing chronic, complex problems such as wealth inequality and structural racism (Stroh, 2015). Readers can use it to:

FIGURE 1 Success to the Successful



- Focus limited resources: Target a problem's root causes instead of being distracted by its symptoms.
- Shift beliefs: Identify and begin to shift the deeply held beliefs and assumptions that drive ineffective policies.
- Strengthen relationships: Invest to improve relationships among the diverse stakeholders in a system.
- Exercise greater control: Start by making changes where they have the greatest control in the larger system (i.e., over their own intentions, thinking, and behavior).
- Increase leverage: Identify high-leverage solutions that improve system-wide effectiveness in lasting ways.

Success to the Successful: A Core Systems Structure

Systems thinkers refer to the core structure that drives economic inequality as "Success to the Successful" (Meadows, 2008, p. 127) — the tendency for the rich to get richer and the poor to get poorer over time. (See Figure 1.)

Many people understand that opportunity leads to success, and hence agree about the need for equitable opportunities to ensure fairness. However, they often fail to recognize the other side of this relationship: Success in turn creates more opportunity. The implication is that those who benefit from the dynamic often attribute their success to their personal capabilities rather than to the preferential conditions they have benefited from. They similarly assume that people who are not successful are held back more by personal or cultural limitations than by inequitable socioeconomic conditions.

Moreover, the reverse is also true: Less opportunity leads to less success, and less success leads to less opportunity. When resources such as housing, health, education, money, capital assets, natural assets, social connections, and political influence are fixed, early advantages gained by Group A (i.e., an elite) produce a virtuous cycle of greater opportunity and success for this group over time. On the other hand, early disadvantages experienced by Group B (i.e., the majority of citizens) create a vicious cycle of decreasing opportunity and success. Moreover, if the overall resource level grows, Group A can use its early advantage to simply take a bigger share of the pie instead of redistributing it.

The Success to the Successful dynamic not only undermines the potential of many people to benefit from societal resources, it also diminishes their ability to contribute to the society's economic development and social fabric.

Let's look at how these dynamics have played out in the U.S. even before the pandemic dramatized their costs. The factors include:

- how the rich get richer and the poor get poorer,
- the role of racial discrimination,
- the impact of our changing economy, and
- the effect of underlying beliefs and assumptions about wealth inequality and appropriate interventions.

How the Rich Get Richer

The Success to the Successful dynamic has manifested in the U.S. in several ways. First, the virtuous cycle increases wealth inequality by tipping the playing field in favor of the rich. (See Figure 1.) Success in our society is defined primarily in terms of individual achievement, money, and material possessions. While the U.S. uses poverty-fighting tools such as progressive taxation and federally funded housing, education, jobs, and social service programs, these initiatives are weakened by deep beliefs in the importance of personal freedom and self-reliance coupled with a corresponding skepticism of government's role as a force for public good.

Anti-poverty efforts have been further undermined over the last 40 years by policies favoring supply-side economics and reduced government intervention. These policies thrive despite ample evidence that expanding the pie leads to a further hoarding by the rich rather than a redistribution of resources. Additional mechanisms have reinforced the accumulation of resources by the wealthy over this period, including relatively low income taxes for the rich; even lower capital gains taxes; campaign financing laws that allow wealthy individuals and corporations to unduly influence elections; weakening of antitrust enforcement and unions; and programs that grant companies special advantages. The rich continuously fuel anti-government sentiment because government is a countervailing force to the concentration of wealth in their hands.

Even the economic recovery from the 2008 recession favored the wealthy (Schwartz, 2018). Wealth, and even basic financial security, has become increasingly dependent on profits from investments in financial instruments, something only the rich can afford. By contrast, the wages most people count on have remained relatively flat despite significant increases in worker productivity.

People with initial advantages in life tend to develop two paradoxical attitudes about their wealth. On the one hand, many justify their relative success with the belief that they are better and more deserving than others. On the other hand, the superiority that advantaged people experience is often offset by a deep feeling of insecurity. Because money and possessions tend to be only fleeting sources of satisfaction that require continuous reinforcement, and because financially successful people are physically and emotionally disconnected from the poor, they often resist expectations to share their wealth (Kasser, 2002).

How the Poor Get Poorer

If we want to increase upward mobility for the poor, it helps to deepen our understanding of how the vicious cycle not only persists but also amplifies over time. (See Figure 2):

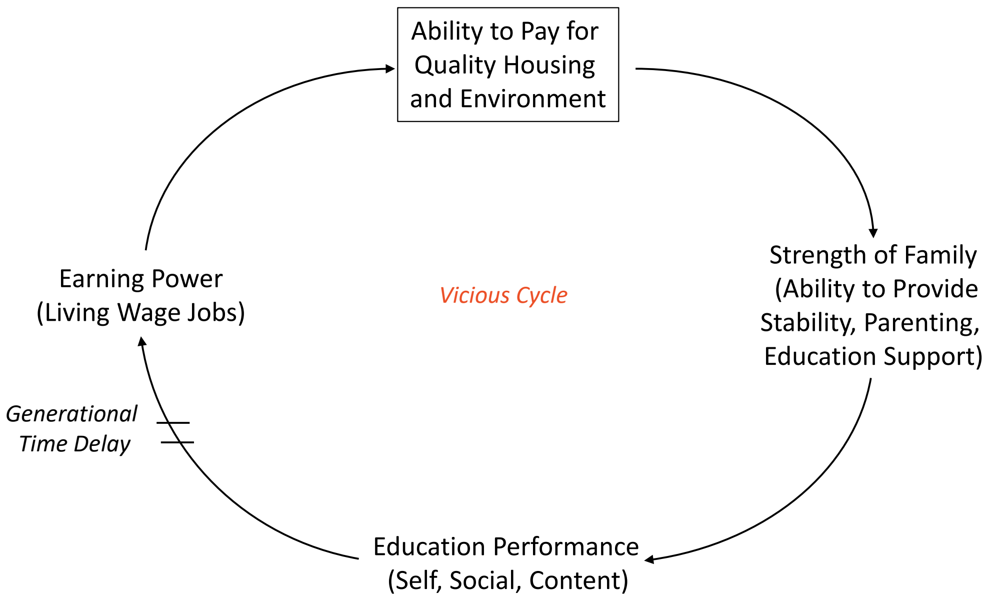
1. Families' inability to pay for quality housing creates additional stressors. For example, families who live in unhealthy spaces can become unstable when they are disrupted by illness or torn apart by crime.

2. Young children are especially hurt by disruptions in family life and poverty. Stress can hamper children's brain development, making learning educational content and developing foundational skills such as self-esteem and emotional maturity difficult.

3. Low educational performance leads to low-paying jobs; low income reduces people's ability to pay for quality housing and healthy environments; and the cycle of poverty continues into the next generation.

There are other vicious cycles as well. For example, low earning power reduces the ability to pay for quality health care and child care, resulting

FIGURE 2 A Core Intergenerational Cycle of Poverty



in additional stressors on families and further undermining the foundations of education and income generation. Another consequence of low earning power is debt: Not only do poor people often have to borrow money just to meet their basic needs, but they also incur interest on that debt that increases exponentially faster than their ability to pay it off (Hudson, 2018). Less visible are the underlying assumptions that many (though not all) poor people develop about themselves that they are less capable and deserving than others — beliefs that undermine their motivation and capacity to break free from these cycles.

One well-meaning yet inadequate response to these dynamics is to break the problem down into parts and try to address each part separately. Many government programs and service providers focus on housing, while others target the environment, health care, family stability, education, or job training. However, these programs generally fail to work together to serve those in need.

Limited by a belief that each issue can only be tackled independently through separate funding streams, organizations simply throw life support after life support to people who are drowning. The result is a dynamic I call "Treading Water," where people strive simply to keep themselves from being pulled down by the numerous vortexes working against them. While well-intended programs prevent some from drowning, the majority are left unable to swim to a desirable shore. In the days of COVID-19, even surviving is more and more difficult to do.

A second form of inadequate response is to provide top-down, expert-driven solutions to problems that can only be solved by the people most affected. Poor people understand better than anyone the need to address multiple problem symptoms in a coordinated way, the importance of relying on their own initiative and the support of others in similar circumstances, and the value of acquiring financial and social capital to permanently climb out of poverty. By contrast, government and philanthropic efforts often undermine rather than empower the very people they intend to help.

The Place of Race

Looking at these dynamics, readers might conclude that Success to the Successful affects people independent of their race.

Limited by a belief that each issue can only be tackled independently through separate funding streams, organizations simply throw life support after life support to people who are drowning. The result is a dynamic I call "Treading Water," where people strive simply to keep themselves from being pulled down by the numerous vortexes working against them.

On the one hand, being a member of the dominant ethnic group does offer a fleeting sense of superiority. Economically marginalized white people in the U.S. are indeed physically safer and more able to assert their values into the political process. They might justify the government supports they receive as compensation for economic forces beyond their control while railing against similar supports going to "undeserving" minorities. Ongoing antipathy toward "welfare" in the U.S., even in the face of the COVID-19 recession, is a signal that racism underlies resistance to invest in social safety net programs such as universal health insurance and unemployment protection (Lopez, 2014).

On the other hand, working-class whites are also victims of efforts to concentrate wealth in the hands of the few (Lopez, 2018). Elites use the "race card" to redirect toward people of color anger that should legitimately be directed toward themselves. For example, former President Ronald Reagan's attacks on so-called "welfare queens" convinced working-class whites that people of color are lazy and undeserving of government assistance. This characterization has been used to justify small government and tax deductions for the wealthy, policies that hurt poor white people as well racial minorities. Former President Lyndon Johnson summarized the effectiveness of this redirection strategy when he observed: "If you can convince the lowest white man that he is better than the best colored man, he won't know you're picking his pocket. Hell, give him someone to look down on, and he'll empty his pockets for you" (Emery, 2016, para. 1).

Yet however triumphant the ethnic majority may feel, the prevalence of opioid addiction, hate speech, violent behavior, and denial in that same population suggest that their self-esteem cannot be sustained by feelings of ethnic superiority. Self-esteem is ultimately dependent on one's ability to provide for loved ones and contribute to society.

At the same time, ethnic minorities are hurt directly in many ways. If they are Black, they are held back by the legacy of slavery and the succession of discriminatory policies related to Jim Crow laws, lending practices, school segregation, school discipline, voting rights, racial profiling, police brutality, and mass incarceration. Moreover, limits on the access of formerly incarcerated people to basic rights such as voting, housing, and employment have disproportionately affected the ability of Black inmates to succeed once they are released from prison. All of these elements of structural racism amplify the dynamics of intergenerational poverty described above. Even philanthropic organizations are biased in their tendency to donate to national nonprofits run by white males instead of to community organizations run by people of color. Black and Hispanic individuals comprise 30% of the U.S. population, but only 10% of nonprofit organizations' executive leadership and 6% of foundations' executive leadership (New Profit, 2020).

Finally, discrimination and segregation not only reinforce each other but also increase wealth inequality. The predominant choice made by the wealthy to separate themselves from the poor reduces opportunities for those with fewer resources to generate social capital, which is an important source of financial capital. Without sufficient financial or social capital, it is even more difficult for poor people to demonstrate their worth.

The Changing Economy

Prior to the COVID-19 pandemic, a changing economic landscape also contributed to expanding wealth inequality. The usual suspects in increasing inequality have been cost-saving policies pursued by global companies, such as relocating once reliable blue-collar jobs to poorer nations; using technology to replace people; reshaping jobs into part-time gigs that do not provide health or other benefits; busting unions; failing to increase the federal minimum wage in relation to increases in productivity; and using bargaining power to reduce corporate taxes.

A less obvious but more crucial problem is what companies do with the money they save. Most profit increases go into the pockets of shareholders (note the amazing rebound in the stock market since 2008) and corporate executives. By contrast, very little profit is invested in the new markets, products, services, jobs, and training workers need to adapt to changing economic opportunities.

Summary: Dynamics and Beliefs That Create Wealth Inequality

Redressing the imbalances between rich and poor has been ineffective for two basic reasons.

The first is that the virtuous cycles that enable the rich to get richer are very strong. They include (1) the direct use of money to wield political influence to support the interests of a powerful few; and (2) the cultivation of negative attitudes toward minorities and government, redirecting what should be appropriate resentment of class divisions to ethnic tensions and of people with great wealth, or "deep pockets," to the so-called "deep state."

The second basic reason for ineffective redress of the wealth imbalance is that corrective programs to break the vicious cycles that hurt the disadvantaged are too disconnected and top-down to have a meaningful impact.

Although the Success to the Successful dynamic that produces wealth inequality is inevitable, it is not irreversible. The long-term outcome of the tendency for the rich to get richer and the poor to get poorer is determined by choice.

At its core, wealth inequality involves challenging 10 deeply held beliefs and assumptions:

1. The size of the wealth pie is limited.
2. A rising tide lifts all boats.
3. Government is part of the problem, not part of the solution.
4. The private sector is part of the solution, not part of the problem.
5. If people are rich, it's because they are special and more deserving than others.
6. If people are poor, it's their fault.
7. If we're poor, someone else is to blame.
8. Racism only hurts people of color.
9. Segregation is a natural response to being different from (and better than) others.
10. Sharing the pie doesn't work because it builds up people's dependence.

As we shall see in the next section, shifting these beliefs and assumptions is an essential strategy for reducing wealth inequality and increasing societal stability.

Tools

Tools

FIGURE 3 A Broad Agenda to Stimulate Wealth Equality – Four Areas With Supporting Strategies

Area 1: Weaken Virtuous Cycles Favoring the Rich	Area 2: Break Vicious Cycles Hurting the Poor
S1.1 – Reframe the reputation of government.	S2.1 – Empower low-income people to be self-sufficient.
S1.2 – Strengthen government's ability to redistribute existing wealth.	S2.2 – Address racial discrimination.
S1.3 – Strengthen government's ability to create new wealth.	S2.3 – Increase collaboration among those serving the poor.
S1.4 – Support everyone to have a voice in our democracy.	S2.4 – Rethink the role of funders.
Area 3: Cultivate Beliefs and Assumptions That Stimulate Wealth Equality	
Area 4: Align Around a Shared Aspiration	

A Broad Agenda for Increasing Wealth Equality and Societal Stability

Although the Success to the Successful dynamic that produces wealth inequality is inevitable, it is not irreversible. The long-term outcome of the tendency for the rich to get richer and the poor to get poorer is determined by choice. As Binyamin Appelbaum (2019) points out, the escalation in inequality in the U.S. over the past 40 years was largely influenced by advice given by both liberal and conservative economists to increase efficiency and output without concern for its destabilizing impact on equality. While he and many others praise the market economy as "one of humankind's best inventions" (para. 15), Appelbaum also points out that the concentration of wealth produced by unbridled capitalism is not in society's best interests. Instead, he proposes an alternative view:

> Markets are constructed by people, for purposes chosen by people — and people can change the rules. It's time to discard the judgment of economists that society should turn a blind eye to inequality. Reducing inequality should be a primary goal of public policy. (para. 14)

Four areas for reducing wealth inequality emerge from the systems analysis in the previous pages. (See Figure 3):

1. Weaken the virtuous cycles that favor the rich in getting richer at the expense of everyone else.
2. Break the vicious cycles that lead the poor to become poorer over time.
3. Cultivate beliefs and assumptions that support the more equitable distribution of wealth.
4. Align around a shared aspiration.

We will look at each of them in turn, recognizing that all four must work in concert for any one of them to be effective. Areas 3 and 4 — cultivating new beliefs and aligning around a shared aspiration — both undergird and are derived from improvements in the first two areas. Philanthropic organizations can target these foundational areas distinctly and as part of the initiatives they undertake in the first two areas. One example of a foundation which pursues wealth inequality in a systemic way is the Ford Foundation. (See Sidebar.)

Area 1: Weaken Virtuous Cycles Favoring the Rich

Reducing poverty and its destabilizing consequences cannot occur without steps that also redistribute wealth. Otherwise, the dynamics of Success to the Successful will result in the rich getting richer and the poor getting poorer, which in turn will lead to greater economic, social, and political destabilization over time.

Government is an essential actor in ensuring redistribution because it is the only sector uniquely charged with supporting the public good. The following are four strategies to weaken the virtuous cycles that concentrate wealth in a few hands. (See Figure 3):

- S1.1: Reframe the reputation of government.

Equality Initiatives at the Ford Foundation

Many foundations are committed to reducing one or more aspects of domestic inequality as part of their portfolio. For example, the W.K. Kellogg Foundation invests in increasing racial equity, the Bill & Melinda Gates Foundation funds innovations in K–12 education in low-income areas, and the Annie E. Casey Foundation is rolling out an expanded commitment to child welfare reform.

By contrast, the Ford Foundation has maintained a singular focus on reducing inequality for the past 80 years. It approaches inequality along multiple dimensions: economic, political, and racial. Its U.S. programs align with many of the strategies described in this article. (See Figure 3). These include:

- Supporting think tanks such as Demos, which is committed to empowering people of color to vote, and the Roosevelt Institute, which is dedicated to building a progressive 21st-century economy (S1.1, S1.3, S1.4, S2.4);
- Listening more closely to the direct voices of the people most affected by poverty, through its Civic Engagement program area (S1.4, S2.4);
- Supporting everyone to have a voice in democracy through its Civic Engagement & Government and Workers' Rights initiatives (S1.4);
- Empowering people to become self-sufficient (e.g., through its digital access program; S2.1);
- Addressing racial discrimination through its criminal justice reform efforts (S2.2);
- Directing mission-related investments to support systems, not just social, entrepreneurship. In fact, Executive Vice President for Programs Hilary Pennington believes that investments in social entrepreneurship often backfire because they tend to be driven by businesspeople who do not appreciate the need to partner with government in shaping related public policy and scaling up successful ventures. (S2.3, S2.4);
- Funding nonprofits led by people of color, even though their formal proposals might not look as strong on paper due to insufficient grant-writing resources (S2.4);
- Providing multiyear general operating support to grantees that includes sufficient money for capacity building (S2.4); and
- Investing in cultural narratives — cultivating new beliefs and assumptions — that stimulate equality (Area 3).

- S1.2: Strengthen the government's ability to redistribute existing wealth.
- S1.3: Simultaneously strengthen government's ability to create new wealth.
- S1.4: Support everyone in having a voice in our democracy.

The first step in restoring the U.S. government's ability to serve the public good is to reframe its reputation. The federal government's reluctance to drive and coordinate the fight against COVID-19 is an excruciating example of anti-government sentiment. We need to move from viewing government as an obstacle to a successful society to viewing it as an essential contributor.

Think tanks denigrating government need to be replaced by those that appreciate its value, such as the Niskanen Center,[1] founded by Jerry Taylor (Brooks, 2018). Taylor and his colleagues came out of the Cato Institute, a libertarian think tank that advocates free markets, limited government, and individual rights. Prompted initially by concerns about how to deal with climate change, they came to question the single-minded thinking of people on all sides of the issue. As David Brooks describes:

> Taylor didn't abandon his faith in markets and individual rights, but he decided to abandon the belief that a single ideology can be applied to all problems. There are a lot of different goods in society: liberty, social justice, equity, community, virtue, prosperity. It's crazy, Taylor argued, to prioritize one of those goods in nearly every single policy context. And yet that's what ideologues do. (para. 7)

Brooks continues by recounting the center's surprising finding that "nations that have the freest markets also generally have the most generous welfare states" (para. 10). These nations include Canada, with its increasingly diverse population, as well as Sweden, with its relatively homogenous population. They succeed because they distinguish between two potential roles of government – what Niskanen calls the redistributive state and the regulatory state. These nations combine a strong redistributive state, which provides the safety net to meet its citizen's basic needs, with a limited regulatory state, which fosters the economic freedoms that enable markets to create wealth and pay for the safety net (Lindsey, Wilkinson, Teles, & Hammond, 2018).

CNN commentator Van Jones (2017) points out that both conservatives and liberals represent values that only make sense if they work together (Jones, 2017). He reminds us of our country's allegiance to liberty and justice for all. He characterizes liberty and justice as the two wings of a bird, both of which are essential for flight. We need to stand up for the rights of individuals and our responsibilities to each other. Jones goes on to observe,

> Our [American] creed *E pluribus unum* … means "out of many, one." The liberals want to see more respect for diversity (the *pluribus*), and the conservatives desire an unhyphenated American identity (the *unum*) — but both sets of values are present in the same national motto. That's the genius of America. (pp. 191–192)

A stronger government role in redistributing existing wealth can take several approaches. The wealth taxes proposed by Elizabeth Warren and Bernie Sanders are recent examples. Financial columnist and author Andrew Ross Sorkin (2019) notes that there are also other tax proposals that achieve the same end: eliminating loopholes in the estate tax, increasing capital gains rates, ending real estate loopholes, fixing carried interest, and rethinking the tax-free status of philanthropy. Other proposed financial adjustments include expansion of the earned income tax credit, child allowances in the form of a refundable tax credit, baby bonds to build children's equity, and universal child care on a sliding scale (Kristof, 2019).

Government also has the power to create new wealth (Mazzucato, 2015) — an ability that should be strengthened. Public dollars have been crucial in generating new markets and technologies such as the internet, the iPhone, and clean

[1] See https://www.niskanencenter.org

energy. Government can likewise help redirect investments away from businesses that either concentrate wealth or threaten people's collective well-being in other ways. Examples include monopolies created and maintained by weak antitrust policies and fossil-fuel products that accelerate climate change.

Finally, everyone should have a voice in our democracy. Since the concentration of political power goes hand in hand with concentrated wealth, it is important to support strategies that empower marginalized people. These strategies must be driven from the bottom up as well as from the top down. Top-down strategies include reforming campaign finance laws, eliminating gerrymandering, and removing voting rights restrictions. Bottom-up strategies include strengthening the role of unions, building effective community organizations, and encouraging voting. Encouraging voting takes on even more relevance during the pandemic, since requiring in-person voting or even postponing elections pose new threats to our democracy.

The strategies have to also work across racial lines (Lopez, 2018). Working-class people of all ethnicities must recognize that the system is rigged against them. They need to understand that the suspicions and resentments white individuals and people of color feel toward each other are in no small measure manufactured by the elite who are reluctant to share their wealth with either group. Building multiracial political coalitions serves the well-being of all economically marginalized people, independent of race. The recent multiethnic support for Black Lives Matter protests against police brutality, coupled with outrage over government mismanagement of COVID-19, may indicate that such a coalition is growing against unaccountable leadership and economic deprivation.

Area 2: Break Vicious Cycles Hurting the Poor

Here are four strategies for breaking the cycles of poverty. (See Figure 3):

Building multiracial political coalitions serves the well-being of all economically marginalized people, independent of race.

- S2.1: Empower low-income people to be self-sufficient.
- S2.2: Address race discrimination.
- S2.3: Increase collaboration among those serving the poor.
- S2.4: Rethink the role of funders.

First, as a society, we need to think differently about the poor. Neither blaming economically disadvantaged people nor pitying them as victims helps them climb out of poverty. The alternative approach is alleviating poverty by facilitating self-sufficiency. For example, in his book Toxic Charity, Robert D. Lupton (2011) distinguishes between charitable giving and actions designed to help poor people take care of themselves. This distinction gives churchgoers and potential donors who are averse to "welfare" more constructive strategies for contributing to the poor of all races.

One example of an organization that supports poor families in identifying and meeting their own needs is the nonprofit Family Independence Initiative (FII),[2] which works to empower low-income families to achieve prosperity and avert the pernicious cycling between self-sufficiency and poverty created by welfare policies. As described by New Profit, a venture philanthropy firm that is one of FII's major funders:

> Families come together to set their own goals and help each other find solutions to problems like identifying resources for child care, tuition, or starting a business …. During two years of

[2] See https://www.fii.org

Tools

> engagement with FII, families report on average a 22 percent increase in monthly income, a 55 percent decrease in subsidies such as TANF [Temporary Assistance for Needy Families] and SNAP [Supplemental Nutrition Assistance Program], and doubling of their assets. (Eyoel, Kania, & Syman, 2020, pp. 33, 35)

Second, race discrimination is a significant and distinct determinant of wealth inequality. Therefore, ensuring that all people are judged and subsequently treated equitably requires a unique commitment. One commonly accepted framework for addressing racial issues, developed by Race Forward, distinguishes four levels of discrimination and proposes methods for addressing each level:

- *Structural racism* is the bias that is embedded in laws, policies, and practices that impact society as a whole. Some of the highest-leverage policies to address at this level include criminal justice reform, lending practice reform, school desegregation, the creation of mixed-income housing and neighborhoods, minority-owned business development, and improved access to the internet and public transportation. Acceptance is now also growing for providing reparations to African Americans so they can generate and accumulate the wealth they have long been denied (Darity & Mullen, 2020).

- *Institutional racism* is bias that exists within individual organizations. Strategies to overcome it include racial equity impact assessments; trainings in diversity, equity, and inclusion sponsored by the organization; and challenges to discriminatory and exclusionary practices. Specific types of organizations can also take steps unique to their mission.

- *Interpersonal racism* is the bias, both conscious and unconscious, that exists between white people and people of color. Strategies to address it include trainings in diversity and cultural competency, cross- and inter-identity group dialogues, and community events that engage diverse groups.

- *Internalized racism* is the set of negative beliefs that people who are discriminated against hold about their own self-worth and potential. Strategies to reduce this form of racism include mentoring, mono-racial support groups, and counseling.

The third strategy is to increase collaboration among those serving the poor. The Treading Water dynamic described earlier highlights the importance of increasing coordination among the various service providers who seek to break the vicious cycles of poverty. This focus on improving relationships among the parts of a system is consistent with what we know about how to increase system-wide results, in this case greater wealth equality.

We have to address several challenges to improve relationships among those committed to serving the poor, including the reality that:

- Individual programs are easier than system-wide interventions to identify, fund, and evaluate.

- Organizations that want to collaborate tend to serve different stakeholders.

- Collaboration can be thought of as an unrealized opportunity that benefits many stakeholders; however, in contrast with individual programs, it is difficult to mobilize funders to invest in harvesting its potential.

- Since optimizing system-wide performance requires optimizing relationships among the parts of the system, each organization is likely to have to compromise some of what it does now to focus on the unique value it adds to the whole.

Meeting these challenges requires investing in the synergy that exists between the stakeholders. Five conditions for increasing collective impact include a common agenda, shared measurement, mutually reinforcing activities, continuous communication, and a backbone organization (Kania & Kramer, 2011; Wang, Cooper, & Shumate, 2020). I would add two other criteria. The first is a shared understanding of the root causes of the issue – and in particular how each stakeholder contributes to the problem, not just the solution. The second is meaningful engagement by people most affected by the problem. Together, these conditions provide direction for making the most of complex opportunities that require multisectoral collaboration and centralized governance.

Finally, it is necessary to rethink the important role that funders, and in particular foundations, play in reducing wealth inequality. This role has grown enormously as a result of strong pressures beginning in the 1980s to downsize the role of government in providing a basic social safety net and ameliorating poverty. There are several steps foundations can take to increase their ability to reduce poverty.

The first is to recognize their role in increasing wealth inequality in the first place. In his searing book, *Winners Take All,* Anand Giridharadas (2018) points out that while foundations profess to want to alleviate poverty by breaking the vicious cycles that create it, they are reluctant to weaken the virtuous cycles that have concentrated their own wealth (Giridharadas, 2018). He challenges them to rethink their underlying purpose and to address both sets of cycles if they are in fact committed to increasing wealth for all.

A second major step foundations can take is to support systems entrepreneurship. Systems entrepreneurs address those high-leverage innovations that shift deep systems structures, including changing government systems and creating collective impact (Eyoel et al., 2020). For example, organizations such as Harlem Children's Zone[3] and ProUnitas[4] change relationships among youth program providers, schools, parents, and kids, and in the process provide comprehensive and seamless wraparound services for K–12 students in poor neighborhoods.

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Foundations committed to reducing wealth inequality can also:

- Listen more closely to the direct voices of the people most affected by poverty.
- Fund nonprofits led by these people.
- Invest in capacity building for grantees.
- Support think tanks to promote the kinds of strategies referenced in this article.
- Hardwire issues of equity into the programmatic work they fund.

Area 3: Cultivate New Beliefs and Assumptions

Changing how people think and what they pay attention to are areas of high leverage for changing these structures. Here is a summary of 10 shifts in thinking we need to make to increase wealth equality:

1. Government has important roles to play in balancing public and private interests, redistributing wealth to ensure social and

[3] See https://hcz.org

[4] See https://www.prounitas.org

Tools

political stability, and generating new wealth.

2. Poor people can become productive members of society when they have access to basic resources.

3. The size of the wealth pie need not be limited if the resources that lead to that wealth are renewable.

4. A rising tide lifts all boats only if sufficient attention is paid to redistributing the wealth the tide creates.

5. The private sector is part of the solution as long as it is required to cover the social and environmental costs of doing business.

6. If people are rich, it's likely because they were born into privilege; gratitude and stewardship are healthier responses to wealth than entitlement and hoarding.

7. If people are poor, they might not be responsible for being down, but they still have to take responsibility for getting up.

8. Racism hurts all economically marginalized people, either directly or indirectly.

9. Segregation denies us the benefits of diversity.

10. Sharing the pie works when it empowers people to succeed.

Ways to cultivate such shifts are described in such books as *Nudge* (Thaler & Sunstein, 2008) and *Switch* (Heath & Heath, 2010); they are also the essence of the work of the Full Frame Initiative,[5] a social change organization dedicated to shifting perspectives on poverty and violence.

Area 4: Align Around a Shared Aspiration

What ultimately will lead to a rise in wealth equality is an appreciation of people's shared humanity. We all want to be part of something larger than ourselves. Most of us are motivated at some level to be good parents, do meaningful work that contributes to our families and society, care for the places we live in, and treat others as we want to be treated ourselves.

If we keep our eye on these prizes, we will all benefit. If we elect leaders who value these aspirations, we can all thrive. If we respect natural limits, we can all experience what is limitless. The choice is up to us.

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[5] See https://fullframeinitiative.org

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Tools