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Wealth and Inequality in the Knowledge Economy

UNJUST DESERTS

How the Rich Are Taking Our Common Inheritance and Why We Should Take It Back

*How much of wealth is the result of being born into a society with a rich heritage that is shared by all and how much is due to individual effort?

*Why should only a tiny fraction of our citizens keep most of the money made off this heritage if, in fact, it is this common background that gave them their success?

*Does this argument make income inequality morally and economically unjustified?

As our financial system lurches into an unknown future, traditional views of wealth and personal rewards are being questioned. Consequently, there is no better time for a conversation about the creation of wealth today -- who is entitled to it and who will control it. As our national financial crisis puts into stark relief, aren't we are all in the economy together, whether rich or not?

With a bold salvo challenging the status quo, authors Professor Gar Alperovitz and Demos fellow Lew Daly tip the scales with the answers to these questions in what will be one of the most talked about books of the season: **UNJUST DESERTS: How the Rich Are Taking Our Common Inheritance and Why We Should Take It Back** (The New Press; on sale October 15; publication date: November 18, 2008; $24.95 hardcover, 220 pages).

Alperovitz and Daly are in good company when they write that culture has more to do with individual success than we generally acknowledge. One of the wealthiest men on the planet, Warren Buffett, with a current net worth of $60 billion, acknowledges that "society is responsible for a very significant percentage of what I've earned." Bill Gates, Sr. agrees when he writes, "Success is a product of having been born in this country, a place where education and research are subsidized, where there is an orderly market,

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where the private sector reaps enormous benefits from public investment. For someone to assert that he or she has grown wealthy in America without the benefit of substantial public investment is pure hubris."

Drawing on cutting-edge research as well as their knowledge of philosophy and economics, **Alperovitz and Daly prove that up to 90 per cent –or even more – of private earnings are the result not of individual ingenuity, effort or investment**, but of what they describe as the ***"unjust"* appropriation** of our collective inheritance. In other words, the cumulative or aggregate knowledge that we all inherit is key to individual achievement.

The authors demonstrate that if the market rewarded people according to their contributions it would make up only 10-20% of their income. The rich don't work harder and are **not morally justified in deservingness, or "deserts" as philosophers describe it** than the rest of us. We get the commonly held viewpoint that we are entitled to own whatever wealth we create from philosopher John Locke. In his agrarian society and that of our Founding Fathers, wealth was mostly based on physical labor. In our knowledge-based society, Locke's argument doesn't work, since all knowledge that we receive from previous generations is a social contribution.

The individual's role in advancing art, science and technology again is mostly based on our common heritage, too. The authors make an historically-based case for the wave of cultural and scientific knowledge that pushes a few people to the next level, the "geniuses" who create what happens next. Some enlightening examples of this argument include:

*Alexander Graham Bell and Elisha Gray, who both filed for a telephone patent on the same day, though they were working independently.

*Gary Kindall who created the same computer operating system that Bill Gates then "perfected:" and

*Charles Darwin racing to complete The Origin of the Species because Alfred Russel Wallace was developing the same scientific argument.

Alperovitz and Daly rightly conclude that the individual isn't really important in the case of each breakthrough. Instead, the development of knowledge is society's forward-moving catalyst.

The second half of the book bolsters their thinking further by detailing how knowledge is shared. They note and quote widely from philosophers and economists starting with 18th century Thomas Paine and Benjamin Franklin though 20th century Nobel Laureate Herman Simon and Cass Sunstein, to name a few. The reader understands that there has always been this debate about what society owns and what is rightly owned by the individual.

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What reforms do the authors suggest could begin the process of income redistribution along the lines of social justice? They say that income taxation for the top 1-2% should be increased, raising the current cap on Social Security taxes, increasing corporate taxes – especially on windfall gains in connection with oil industry profits, and increasing inheritance taxes on large estates would be a beginning. Proceeds from the new taxes could be used for the common good, such as instituting universal health care or propping up decaying infrastructures like bridges and tunnels. In addition, education and research could receive additional funds. There is a promising plan put forth by Yale law professors Bruce Ackerman and Anne Abbott that suggests and "capital stake" or allocation of $80,000 to every citizen upon reaching adulthood – to be used most likely for a college education. The capital stake would be recouped at death through an inheritance tax.

Bound to be a flashpoint of discussion and contention, this bold new book will be the talk of the political circles this fall and to come.

The authors will be touring in New York, Washington, D.C., San Francisco and Seattle.

ABOUT THE AUTHORS

Gar Alperovitz is the Lionel R. Bauman Professor of Political Economy at the University of Maryland and a Founding Principal of the Democracy Collaborative. His previous Books include **The Decision to Use the Atomic Bomb** and **America Beyond Capitalism**. He lives in Washington, D.C.

Lew Daly is senior fellow at Demos, the New York City progressive think tank, and the author of **God and the Welfare State**. He lives in New York City.

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UNJUST DESERTS
How the Rich Are Taking Our Common Inheritance and Why We Should Take It Back
By Gar Alperovitz and Lew Daly
Publication Date: November 17. 2008
ISBN: 978-1-59558-402-1
230 pages
Price: $24.95 hardcover