

## Inequality and the Collapse of Privilege

Charles Hugh Smith

Smith extends his skein of useful coinages and insightful observations

Charles Hugh Smith is a Berkeley character, a brilliant social observer who writes on his own account and is accountable to nobody. It gives him the freedom to say what others cannot.

Throughout the book he contrasts advantage and privilege, two concepts which today's social justice warriors conflate.

Advantage comes with superior ability. A person who scores 800 on the math SATs has a tremendous advantage. He is smart, and will do well at whatever career he chooses. Likewise, exceptional athletes, attractive people, and people with sunny dispositions have natural advantages.

Privilege is unearned. A person may be born into privilege, like the English aristocracy, or may happen into it by joining a labor union that protects him from market forces such as being fired. Smith finds civil servants to be privileged: they are paid more than their counterparts in the private sector, and their pensions are more secure.

Among the useful coinages in this book is PORR, for power, opportunity, responsibility and risk. Advantaged people must bear responsibility and take risk, as they take advantage of opportunities that might lead to power. Privileged people take no risk – things come to them automatically.

Smith is fond of citing Nassim Nicholas Taleb, author of [\[\[ASIN:081297381X The Black Swan\]\]](#)'s phrase "skin in the game." Privileged people have no skin in the game. If a civil servant makes a mistake, he does not get fired. His pension remains secure. Civil servants can therefore do hugely stupid things such as extend student loans, more than half of which are not being paid back because they are in default, forbearance, deferment or grace periods, without suffering whatsoever professionally.

Another of Smith's wonderful observations is that government has an imperative to grow. It has simply no way to shrink. The history of all governments is to grow to the point of being unsustainable, after which the collapse. In one of Smith's earlier books he introduces the phrase "run to failure." It is very apt. Government cannot reform itself. It must run to failure – collapse – before it can be replaced by anything sensible.

Among the things that also "run to failure" are fiat currency systems. They always end up in catastrophe. See Kenneth Rogoff's book [\[\[ASIN:0691152640 This Time Is Different: Eight Centuries of Financial Folly\]\]](#) for a history. Governments worldwide are running unsustainable deficits, and central banks are papering them over with unprecedented money printing. It must end in failure.

Smith observes that socialism and neoliberalism have an uncomfortable amount in common. They are both managed by privileged elites in positions of power, which they used to push risk off onto the hoi polloi as they garner for themselves the benefits that come from the whole society's productivity. He says that neoliberalism has a Jekyll and Hyde nature, increasing productivity and competition on one hand, while on the other consolidating new markets under the control of vested interests. Those in power today have created such a complex web of legal restrictions that new ventures have a hard time getting started, and once started they have a tendency to be sucked into powerful existing structures. The public does not benefit that much much from private innovation anymore.

Smith reiterates ideas from his many earlier books. One of the most interesting, and perhaps difficult is the idea that money should not be created by central banks and governments, nor should it be something as impersonal as gold. He advocates a system whereby money comes into existence only as the result of productive labor. He acknowledges that this is an idealistic solution – one which would challenge the government's monopoly on power. It is nonetheless a

useful concept to have an existence after the current order collapses and as free men are attempting to structure something to replace it.

For all of the fact that he sees things as they are, Smith is an optimist. There are some facts that his optimism only reluctantly admits. He speaks about advantaged people being more capable than others. What he does not include as thoroughly as he might in his analysis is the fact that humanity is getting dumber. Google "Double relaxed Darwinian Selection" for an article. He acknowledges elsewhere, although not in this book, that automation is reducing work opportunities for the less intelligent at the very time they are increasing as a percentage of society. Lastly, he does not fully incorporate the last few decades' work on irrationality by authors such as [[ASIN:0061995045 Dan Ariely]] and [[ASIN:0374533555 Daniel Kahneman]]. Appealing to our common sense to work ourselves out of our predicament may be a forlorn hope.

Still and all, as always the book sparkles with useful ideas. It is well worth reading, and the ideas are something to hang on to through the hard times to come.