

## Income and Wealth Inequity

There are many wicked problems we feel so bad about that we're self-medicating with alcohol, tobacco and other legal and illegal substances: work stresses, family stresses, nature deficit disorders, violence, fear of climate change and collapse, health problems, education stresses, immigration issues, bad news, religious issues, housing issues, transportation problems, unhealthy nutrition and food, legal problems, broken government, taxes, debt, media addictions, education, information overload, judgment fears... One of the biggest is likely this: income and wealth inequality, and unfairness and stress that creates.

According to the ancient Roman historian Plutarch: "An imbalance between rich and poor is the oldest and most fatal ailment of all republics."<sup>814</sup> Income inequality is differences in people's compensation.

**The U.S. has the 6<sup>th</sup> highest income inequality in the world, worse than all other developed countries,** just after Turkey, and gaining fast.<sup>815 816</sup> Income unfairness is a huge and growing problem in the U.S.

1980 to 2015, income for the top 0.01% grew 322%, while income for the bottom 90% grew 0.03%.<sup>817</sup>

**The top 10% get roughly as much total income as the bottom 90%.**<sup>818</sup> According to U.S. Census data, 13% of people in the U.S. were in poverty in 2016, 41 million people.<sup>819</sup> For most of us working in the U.S. today, wages are at about the same level as in 1970, adjusted for inflation.<sup>820</sup> With a hot economy and unemployment at 4%, 14% of U.S. workers didn't get even \$1 in annual wage increases in 2018.<sup>821</sup> 78% of U.S. people live paycheck to paycheck, 70% are in debt,<sup>822</sup> and half have less than \$500 saved.<sup>823</sup>

Likely reasons U.S. income inequity is so much greater than other industrialized countries' include: U.S. educational performance is worse, so we aren't prepared with skills and knowledge needed for jobs; U.S. companies pay lower and middle class employees lower wages, with top executives paid more; lower minimum wages; the decline of labor unions; outsourcing jobs abroad; replacement of jobs by technology; and other developed countries' tax policies better redistribute income from rich to poor.

U.S. management compensation schemes increasingly award managers with stock options to incent decisions to increase short term stock prices and stockholder payouts rather than increase worker pay. CEO pay at the largest 350 U.S. companies was 20 times average worker pay in 1965,<sup>824</sup> 271X in 2016.<sup>825</sup> In 2014, Walmart's CEO got 1,133 times what its median employees earned.<sup>826</sup> An average employee in the U.S. has to work more than a month to earn what the CEO earns in an hour.<sup>827</sup>

U.S. income inequality is worse, but not that much worse than others, before taxes and transfers, but it's among the worst after taxes and transfers, 2<sup>nd</sup> only to Chile, because U.S. taxes and transfers do less to balance income inequality than other nations.<sup>828</sup> Much of that is because of government corruption, where wealthy people and business interests have so much more influence than others on lawmakers.

Corporations spend \$2.6 billion a year lobbying Congress, 30% more than the \$2 billion taxpayers spend for the total budgets of the U.S. House of Representatives and Senate. The biggest companies and lobbying firms have more than 100 lobbyists each, letting them work on everyone in Congress regularly. For each \$1 labor and public interest groups spend lobbying, businesses and their associations use \$34. Of 100 organizations spending the most on lobbying in the U.S., 95 represent businesses, consistently.<sup>829</sup>

Many income advantages corporations, high-income earners realize via government manipulation aren't easily noticed or understood by most, because they're provided through complex things like preferential tax rates, tax exclusions, deductions, credits, loopholes, and use of offshore entities, which reduce taxes and increase take-home income for high income earners, but don't affect low income earners much.

Clearly unfair are lower tax rates on capital gains and dividends (about 20%), from not working, than on wage income for working (maybe 40%), which reduce tax revenues \$120 billion a year (10% of FADS), 95% going to those making over \$200,000 per year, 75% going to those making over \$1 million per year, and 50% going to the top 0.1% of taxpayers.<sup>830</sup> Why tax income for not working less than for working? Since 2009, the U.S. minimum wage hasn't increased from \$7.25, far less for tipped workers, in that unfair and racist system.<sup>831</sup> In 2017, 1.8 million U.S. workers were paid at or below minimum wage.<sup>832</sup>

In 2013, the top 10 of these high-income-earner tax advantages reduced tax revenues, increased annual budget deficit, and increased income for mostly high-income earners, by \$900 billion, (78% of FADS and 5% of GDP), with half of that money going to the top 20% of income earners, 17% going to the top 1%.<sup>833</sup> Altogether, such manipulations take trillions from our wicked problem solving to give to the already rich. In 2018, only the top 25% of earners' incomes grew as fast as their property taxes, in a hot economy. The rest spent higher proportions of their earnings on property taxes, leaving less for everything else.<sup>834</sup>

The U.S. Social Security system, created to provide retirement income for all, is being harmed by the increasing proportion of income going to the wealthy, because Social Security taxes are not charged on unearned income from capital gains and dividends from passive investment, only income for working, and Social Security taxes are capped beyond certain income thresholds. Social Security taxes are only applied up to \$128,000 in income, so the most anyone contributes to social security is \$8,000.<sup>835</sup>

As incremental income shifts from workers making Social Security contributions to those already making lots of money who don't have to pay more Social Security on added income, overall funding for Social Security decreases. Some say this will produce a 43% Social Security shortfall over the next 75 years.<sup>836</sup> The majority of people in the U.S. will suffer in retirements, so those with enough can get more now.

Economic instabilities resulting from income inequality include reduced overall spending/consumption, a big factor in economic performance. The already wealthy spend less of each marginal income dollar, because they already have what they need. They invest rather than spend incremental income, unlike workers, so that money stops moving from person to person in the economy, killing multiplier effects.

Those born to parents with high income are more likely to have high income as adults, but those born to low and middle-income parents are more likely to have lower income than their parents as adults. Many low or middle-income people use debt (often credit cards) to consume at previous lifestyle levels, which further harms their economic standing and may lead to bankruptcy.<sup>837</sup> It's a downward spiral.

Income inequality contributes to an even larger problem in the U.S.: wealth inequality, the wealth gap, the unequal distribution of assets, businesses, land, homes, vehicles, investments, savings and other material things that can be sold for money, minus debt. Wealth is what one owns less what one owes.

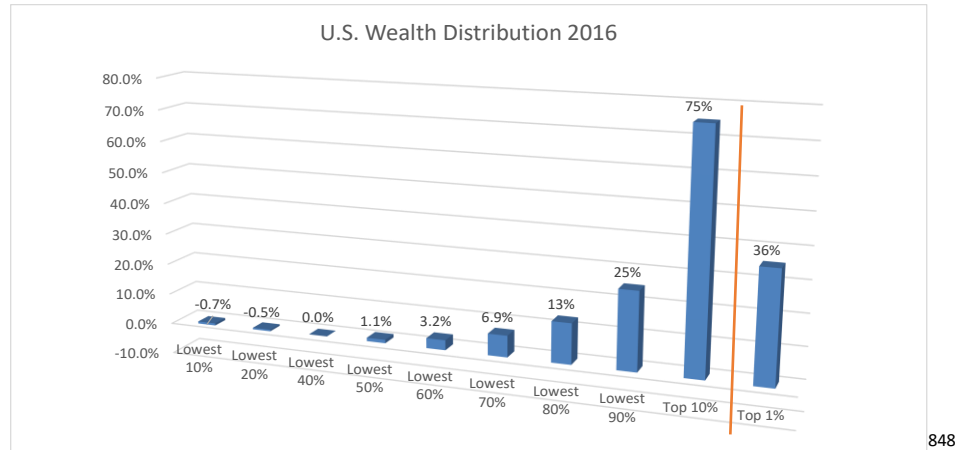
Wealth inequality is a big, growing problem. **The richest 1% own more wealth than the bottom 90%,**<sup>838</sup> 40% of wealth.<sup>839</sup> The richest 0.1% own more wealth than the bottom 90%, except for accrued social security benefits.<sup>840</sup> **The 400 richest people in the U.S. have more wealth than half the population.**<sup>841</sup>

The richest 1% own half of all stocks, bonds and mutual funds;<sup>842</sup> the top 5% own about two-thirds.<sup>843</sup> Of 21 developed nations, the U.S. was last in amount of wealth held by the middle class, 20% in 2015.<sup>844</sup> The 8 wealthiest people have more than half of all people in the world.<sup>845</sup> 7 of 10 are from the U.S.<sup>846</sup>

In 2016, to be in a given net worth or wealth percentile you'd need a net worth of at least:

Net Worth Percentile 2016 Dollar Cutoff											
10%	20%	30%	40%	50%	60%	70%	80%	90%	95%	99%	99.9%
(\$963)	\$4,798	\$18,754	\$49,132	\$97,226	\$169,551	\$279,594	\$499,264	\$1,182,390	\$2,377,985	\$10,374,030	\$43,090,281

The poorest 90% of people own 25%, the upper 10% own 75%, and the top 1% own 36% of U.S. wealth:



Income unfairness in the U.S. is a gigantic problem, and wealth distributions are enormously unequal. Both are unsustainable, will likely lead to collapse or revolution, and are causing great suffering today.

If income inequality only affects luxuries we consume above having enough to live on, it's not so bad. That's the way it is in many other countries. It's not fair, but people are still able to live decent lives. U.S. Income inequality means many people don't have enough resources to adequately support life. 1 in 10 children and people in families live in official poverty in the U.S., which is 3X a minimum food diet.<sup>849</sup> That is below the standards of most developed societies and creates deep suffering and desperation.

Income is inflow of money in a period of time. We try to manage our financial lives, so money is coming in as income at least as fast as it's going out as expenses. The better we do that, the more that's available for other things, like acquiring assets, homes, financial investments, land and other property. Wealth, as most people think of it, is the accumulation of things that are worth money.

As wealth is amassed, less income is needed to support life. If someone owns a home, they no longer need income to pay rent or a mortgage, so if they have income, that is available to acquire more wealth. If one owns financial assets, they may increase in value or produce income, which she does not work for. If one owns real estate and rents it out to others, he receives income he does not have to earn as wages. If one owns a business, others work for her, and she get business profits without earning them as wages. Those mechanisms let people hopefully build enough wealth to support them later in retirement.

OK, maybe, except the game is stacked. A quarter of U.S. people can't pay their bills in a given month.<sup>850</sup> This system doesn't work for all; it works for those who have had the rules written to benefit them. Those with wealth can get income without working, and they can use income they earn as workers plus what they earn as capitalists to pay others to do what they want them to. That is power. When they can pay others to work to change the rules of the game to provide them with advantages over others, that is corruption. That capitalist power is concentrated in relatively few hands in the U.S., and it has resulted in a big steamy pile of government corruption. That is an enormous wicked problem.

Among the rules corrupted are those letting the wealthy pass great wealth to their children, giving them huge advantages over others. It lets them get good educations and live, dress and eat well, which provide advantages. It lets many have passive income without even having worked at all, and to have power without having gone through the life experiences to create wealth that can produce wisdom.

It lets spoiled people have wealth and power, without having to engage with ways normal people live, which is ignorance. 60% of Forbes' richest 400 people in the U.S. grew up in substantial privilege.<sup>851</sup> Unearned wealth is a problem, because those with it are too often corrupt and ignorant as humans, and those unfair head starts allow ever-increasing concentrations of wealth and structural unfairnesses.

These concentrations of wealth allow a small percentage of people to own most things, like businesses, so most work for them and are in their power. They corrupt missions of businesses, from whatever mission statements say to maximizing profits for owners. They own the real property and housing, so most of us have to work to pay them rents, and they can raise rents to extort as much income as they can get away with. They own most of the goods, that most have to buy from them. They own most of energy produced, which most have to buy from them. They own land and agriculture businesses, so most are dependent on them for food. Wealth is correlated with greed, dishonestly and cheating.<sup>852</sup>

The insistence of those with plenty on owning and earning more has led to a point where too many can't afford to buy what they're selling. That's a threshold of system collapse. People suffer, and start dying or rebelling. The U.S. has about come full circle, to where a minority owns most things, and people's station in life is determined by birth. We staged a revolution against such injustice to create the U.S.

This unfairness makes us suffer psychologically and emotionally; we're less happy and more in pain,<sup>853</sup> because our culture conditions us to find self-worth in financial worth and rates of consumption. Wealthy inheritors get that free. Those of us without are conditioned to feel unworthy and depressed. That creates health, emotional, psychological and social problems, and the kinds of anger, resentment, powerlessness, frustration, fear and despair that lead to suicides, crimes, addictions and mass shootings.

It creates fear and anxiety that is manipulated into scapegoating, blaming others for their races, religions, genders, ages or ethnicities. It creates bad feelings and energies that lead to destruction, harm and further suffering. Life satisfaction and happiness in the U.S. have been declining over decades, largely because of rising inequality, loss of social trust and loss of faith in government.<sup>854</sup>

Most of us are pretty much hard-wired with a sense and value of simple fairness. As a human being, using common sense, this wealth and income unfairness feels bad, even if we accept that's the way it is. It's creating unhappiness and misery and threatening almost everything for almost everyone. The many Have-Nots will at some point have no choice but to tear this system down to survive, which is stressful to them, and that's stressful for the Haves also, because they are the ones who will be forced to lose.

This can't go on, or our society will collapse. How does every Monopoly game played by the rules end? Somebody gets it all; others have nothing, after feeling bad and bored a long time; and it's all over.

This is not sustainable. We will change. We'll do something to make it different, or it will all collapse. Change now! Share information! Live in community that does not depend on the wealthy! Speak out! Write letters to your government representatives and new agencies, even if you think it doesn't matter! Join and be active in labor unions, which brought you the 40-hour work week, weekends and vacations! Don't spend money with any organization where it goes to the already wealthy! Share with each other!

## Endnotes

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