

# Wealth and Income Inequality in America and the Slide Into Plutocracy 2019

Thomas A. Burns PhD.

Klamath Falls, Oregon

It should come as no surprise to anyone that in America today gross economic inequality exists among the citizenry and that an overall shift in the direction of authoritarian plutocracy has emerged. America has seen this situation before at the end of the 19<sup>th</sup> century with the rise of the “robber barons” and their efforts to control government, law enforcement, and the courts. It took implementation of government regulations first in the anti-trust movement and then in the New Deal after the Great Depression to curtail the excesses of the “barons” and to bring the capitalistic economy and democratic polity into greater balance. The result was that from the 1950s through the mid 1970s all citizens shared rather evenly in the benefits resulting from the growth of the national economy.

However, since the later 1970s, the pendulum has swung back again in the opposite direction with the wealthy, corporations, and the financial industry becoming more and more powerful – pouring more and more money into the political realm in order to gain more and more control over the political and judicial domains. The “robber barons” are back, having purged the Republican Party of its moderates in favor of conservative economic and social extremists. Under the guise of their revamped Republican Party and with the aid of their associated wealthy PACs, the new “robber barons” have taken advantage of an unregulated social media to conduct disinformation campaigns in what have become successful efforts to attract a frustrated middle class while deflecting attention from their actual plutocratic goals.

Trump and his divisive tactics are but an absurd, inconsistent, and incompetent expression of this “robber baron” perspective and process: promoting anti-immigrant/refugee, anti-Muslim, anti-mainstream media sentiments in the public while hiding deregulation for the financial industry, huge tax breaks for corporations and the wealthy, courts stuffed with conservative judges, and personal financial gain for the Trump organization and Trump’s international coterie of fellow authoritarian plutocrats.

There are many changes that need to be implemented to address the imbalance that currently exists between the forces of the American capitalistic economy and the forces of its representative democracy. I discuss many of the variables that are involved and the changes that must be made to address the issues that apply in a companion essay, “Should Capitalism Be Abandoned By Modern Complex Societies?” This companion essay is available under the “Economy” topic on my website: [www.dynamic-humanism.com](http://www.dynamic-humanism.com) . In the remainder of this

essay, I will attend to the economic inequality issue and in particular the role that the disparity in income and wealth distribution plays in this matter.

Here is the key question that is at the center of this discussion: What is the appropriate annual income and overall wealth differential among a society's citizens that can be permitted if a modern democratic complex society is to be sustainable for the long term?

Many current economists who focus on compensation within corporations contend that salary differentials begin to promote dysfunction in corporations and oligarchy in societies when the income of the head of an enterprise exceeds 20 times the income of the average employee. Indeed, in America in 1965, this 20 times CEO compensation figure was the average, and this was an economic boom period. Yet, in 2017 among the top 350 American corporations CEO pay averaged 300 times the pay of the average worker. And this figure does not include the value of all the perks, benefits and share options that have become customary in CEO compensation packages! So, the real number may be a differential more like 500. As mentioned earlier, this situation has emerged with increasing pace over the last 40+ years in the context of a complacent/complicit government and the combined rise of the global economy, mega corporations, a relatively independent global financial industry, and the worldwide Internet.

Annual income for everyone should be a direct reflection of the value of the actual contribution an individual makes to the benefit of society. Compensation should not merely reflect the maximum personal gain that the "market" will bare. In this regard, here is an extreme example: what is the actual value of the contribution to society of entertainer "Judge Judy" who currently earns \$47,000,000/year in "salary," plus approximately \$20,000/show for the sale of the show's rights to CBS?

The time has come for less economically privileged Americans to stop fantasizing that they will magically become mega lottery rich and set both an upper and a lower limit on the annual income received by anyone, anywhere, in any occupation. No American citizen who honestly works full time should live in or near poverty – currently below \$20,000/year [ $@ \$10/\text{hour} \times 40\text{hrs}/\text{week} \times 50\text{ weeks}/\text{year}$ ]. Correspondingly, no American should receive a total annual income [including all benefits and unearned income] greater than \$2,000,000 [ $@ \$1,000/\text{hr} \times 40\text{hrs}/\text{week} \times 50\text{ weeks}/\text{year}$ ]. In economic terms, is anyone's contribution to society who works full time really greater than 100 times the value of anyone else's contribution? And this allowed upper income limit corresponds to a very generous income differential figure – five times the recommended 20 times maximum!

Gross economic inequality within the American citizenry results when this now long term condition of income disparity gets coupled with 1) special tax benefits and subsidies for corporations, 2) tax breaks and deregulation for the financial industry, and 3) tax breaks and enormous inheritance tax exclusions for the wealthy. When this set of conditions comes together, an overall societal shift toward plutocracy is virtually inevitable. And so it is that at the present time, over 40% of the wealth in America is owned by less than 1% of the population. The bottom 80% of the population owns just 12% of the national wealth. And the three richest Americans [Jeff Bezos – Amazon, Bill Gates – Microsoft, Warren Buffet - Berkshire Hathaway] possess more wealth than the lower 50% of the population combined – that is 164,892,350 citizens! These are staggering wealth inequality figures. The hoarding that these figures suggest could warrant the super wealthy being shunned. But instead, ever increasing power flows to the wealthy, and the extravagant lifestyles of super wealthy individuals and families are celebrated in American popular culture and highlighted in the tabloid press.

### Conclusion

If Americans want their complex society to survive long term, they need to repair the current gross imbalance that exists between the inputs of their highly influential capitalistic economy on the one hand and their nominally influential democratic polity on the other hand. Essential in achieving this repair will be to implement the changes that will bring both income and wealth among America's citizens into much greater equity. Many highly qualified experts are mostly in agreement as to what these changes need to be. In particular I suggest: Joseph E. Stiglitz, People, Power and Politics, N.Y., 2019 and Elizabeth Warren, This Fight is Our Fight, N.Y., 2017. Between these two books and their plethora of references, anyone can rapidly become educated on the economic inequality challenge in America and what can be done to address it. If Americans insist that their Congressional representatives make the core changes that this literature identifies, they will significantly reduce economic inequality in America, and they will also put the brakes on the current march in the country toward authoritarian plutocracy.

There is no long term future for America as a viable representative democracy if the current conditions persist! The time has arrived for Americans and the citizens of other developed countries to more fairly “share the wealth” – both nationally and globally!!