

# The land of unlimited inequality

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The United States is well on its way to becoming the most unequal society on the planet. An extensive economic analysis of the growing gap between the wealthy and everyone else, summarized in last Sunday's *Washington Post*, provides striking evidence of this trend.

The study, titled, "Jobs and Income Growth of Top Earners and the Causes of Changing Income Inequality: Evidence from U.S. Tax Return Data," was conducted by two academic economists, Jon Bakija of Williams College and Bradley Heim of Indiana University, together with Adam Cole of the Office of Tax Analysis at the US Department of Treasury.

While the study is highly technical and written in economic jargon, the facts that it uncovers are socially and politically explosive. The researchers analyzed the data provided by the tax returns of the top one-tenth of one percent of all US income earners, about 140,000 people whose average income was \$1.7 million annually, and examined the trends in the income share of this most privileged section of the population over the past 35 years.

They discovered that while media attention is devoted to the handful of celebrity entertainers and athletes who make seven and eight-figure incomes, the bulk of the top income earners, more than 60 percent, were executives, managers and supervisors of financial and non-financial companies. Another 11 percent were lawyers and real estate moguls. Only 3 percent were celebrities.

The study detailed the vast transformation of the American socio-economic structure over the past 35 years. During this period, the share of national income taken by the top 0.1 percent has quadrupled, rising from 2.5 percent of national income in 1975 to 10.4 percent in 2008. The share commanded by the top 0.01 percent quintupled, soaring from 0.85 percent to 5.03 percent during that same period of time. In raw numbers, that

means approximately 15,000 people, the richest of the rich, rake in an average income of \$27 million.

The ever-rising pay and perks of corporate CEOs, far from being an "excess," like a wart on the face, are the principal driver of this widening economic inequality. CEO pay quadrupled during the past 35 years, dovetailing with the increase in the incomes of the top 0.1 percent. While executives and managers comprised 60 percent of these top 140,000 taxpayers, they accounted for 70 percent of the income gain enjoyed by this super-rich stratum over the past 35 years.

Significantly, as the *Post* summary noted, "These are not just executives from Wall Street, either, but from companies in even relatively mundane fields such as the milk business." In other words, it is not just a product of windfall profits in financial markets, but a phenomenon that has contaminated all of Corporate America.

The newspaper profiled two CEOs—the current CEO of Dean Foods, and his predecessor of four decades ago—to illustrate the change. The current CEO, Gregg L. Engles, makes ten times the salary of his predecessor Kenneth J. Douglas (who made \$1 million in today's dollars), lives in a \$6 million home in a Dallas suburb, owns a vacation estate near Vail, Colorado, holds membership in four golf clubs and travels in a \$10 million corporate jet. While the pay and perks of the CEO of this Fortune 500 company multiplied ten-fold, the *Post* reported, "The hourly wage rate for the people who process, pasteurize and package the milk at the company's dairies declined by 9 percent in real terms."

This illustrates the overall economic process: while the incomes of the super-rich have quadrupled, fueled by the bonanza for CEOs, the living standards of working people have either stagnated or declined.

The United States is now far more unequal economically than any of the advanced industrialized

countries of Europe and Asia, its main competitors in the world market. It ranks with some of the most impoverished underdeveloped countries, slightly more unequal than Cameroon and Ivory Coast, less unequal than Uganda.

The figures reported by Bakija, Heim and Cole are based on tax data collected up to 2008. They therefore do not reflect the impact of the Wall Street crash of September 2008, and the subsequent collapse of the US and world economy into the deepest slump since the Great Depression.

Economic inequality has only been exacerbated by the subsequent run-up of the stock market, which has recovered most of its losses, the record level of corporate profits and CEO salaries, the ongoing decline in real wages and the creation of a permanent army of 15 million unemployed.

There are many political observations to be drawn from these figures. There are almost endless contrasts that could be made between the obscene self-enrichment of the ruling elite in this country, and the increase in jobs lost, poverty, foreclosures, homelessness, hunger and untreated health problems. Only last week, a University of Washington study reported widespread declines in life expectancy, particularly for women, with the United States falling from 20th on the international scale to 37th over the past decade.

But one conclusion should be uppermost. What passes for public life in the United States, the political wrangling between the Democrats and the Republicans, is the politics of the top one-tenth of one percent. Hence the obsessive focus on deficit reduction, the demand of the Wall Street money managers, while the needs of tens of millions for good-paying jobs and decent social services like education and health care are ignored.

The two officially recognized political parties represent only those whose share in the national income has been steadily increasing over the past three decades. Both parties defend the capitalist profit system, and their policies serve only to reinforce the cancer of social inequality that infects every aspect of American society.

The United States is not a democracy in any real sense of the word, but a government of the rich, by the rich and for the rich. There can be no resolution to the

problems confronting working people in the US, and indeed the entire world, that does not begin with the expropriation of the vast wealth of this social layer.

The exclusion of the overwhelming majority of the American population from political influence reinforces their economic and social exploitation. Under conditions of deepening global economic crisis, and the first stirrings of a worldwide revolutionary upsurge of working people, this exclusion cannot be sustained indefinitely.

The American working class will make its entry into political life and that will change irrevocably both American and world politics. To defend their independent class interests, the working people must take up the fight for a socialist and internationalist program, and build an independent mass political movement to challenge the rule of the financial elite.

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