

Income Disparity in America

by Dave Cuddy

One thing that liberals, conservatives, Republicans, Democrats can agree upon...there is too wide of a difference between the incomes and life qualities of many Americans. We all wonder if a Fortune 500 executive is really worth \$50 million a year. We can agree that an adult supporting a family cannot make ends meet at \$10 an hour, or even \$15. We diverge when we discuss WHY this difference exists, and WHAT to do about it.

WHY

One point in common for most poor people is that they start to have children before they have a job/education/savings/health care/ stable marriage.

1. It is virtually impossible for an 18 year-old to support a family. By definition (18 years old) this person does not have an education, career, work skills, stable marriage (might not even be married) savings or health insurance needed to support children. This automatically places them in a position of need...needed support of taxpayers. This person and their children will be wards of the state for many years.
2. A young person fresh out of college likely owes thousands of dollars for their college loans. The cost of living is rising. With immigration, there is great competition for jobs, and older people are keeping the best jobs and working longer. It is a tough world out there for young people.
3. For many people with a mind set to be taken care of...our welfare state can provide an adequate life.

4. Many people just make poor life choices...in marriage...investments...careers...

The wealthy are broken down into two classes: those who earned their money, or those who either got it through crony capitalism/political pull. There is a third category that is part of each or neither of these categories...inherited wealth. In this case, the heir didn't do anything to "earn" the wealth, but the wealth belongs to the generation that did earn it...and this generation is entitled to do with it as they please. If all wealth were confiscated by the government upon death...there would be no capital accumulation to build the economy and to invest in private companies, and no motivation for anyone to accumulate more assets than they expect to need during their lifetime.

1. Crony capitalism/political pull: Many wealthy people or interest groups develop a relationship with a politician and gain unfair advantage over competitors or gain subsidies and grants that give them great wealth. This would be a negative method of becoming wealthy. No extraordinary product or service is created.

2. A wealthy person (owns many assets) benefits because government prints money, borrows money, and runs deficits...artificially stimulating the economy and running up the value of those assets. There may be times a deficit is in the country's best interests (spending the economy out of a depression/recession)...but on the whole, once a nation goes down this road...it destroys its own currency, and runs up unpayable debt and destroys the country.

3. A person can be creative and hard working. This person could invent the personal computer, or the Internet, or a more efficient way of making a shirt. They could be a doctor and save lives, or a contractor who works hard and build hard assets. It could be a financial expert who creates value and jobs and assets with clever financial investment

decisions.

I don't have to point out which cases the poor "did it to themselves," or which cases the wealthy rode on the backs of the general public to gain that wealth.

What do we do about this disparity, that we all agree is not healthy for any nation? Generally, the Libertarian position would be the best long term solution. Many government spending programs not only encourage the formation of families which are destined to become dependent upon government spending programs, but many programs that cost taxpayers money actually create more dependency. (the more you spend...the more you'll need to spend in the future). Lower spending begets lower taxes, balanced budgets, a bright future, less opportunity for the rich and the poor to steal from the public treasury (Why rob trains? Because that's where the money is.)

We have become a nation that hates its young, hates its middle class, and hates its wealthy. We have become a nation that builds its political and economic policies around public subsidies to the poor. Most of us can agree we don't want people to freeze or starve to death...but when we create public spending programs that "entitle" people to the wealth of others...we nurture the formation of a much larger underclass. The proper way to protect this class, is through voluntary charities, non profits, or if government...through welfare programs. The goal should be to REDUCE poverty rates from one generation to another...our government is intent upon increasing these numbers. When 10% of the population is poor, we can tithe to support that portion of our neighbors. When 50% of the population is poor, or lives off of government...the other 50% cannot earn enough to support this population

group.

Is there really a CEO who is worth \$50 million a year? Well, maybe Bill Gates, or Warren Buffet, or Michael Dell. These men are smart, and created great value for their companies. But more common is the incestuous relationship between Fortune 500 corporate board and their management. Management works to help create the nomination slate of the board, and the board compensation, and then the board elects management and sets their compensation. These companies are run for the benefit of management/boards...not for the benefits of the stockholders. What can a stockholder of this company do? They can either vote with their feet and sell their stock, or they can work to elect board members who reflect the benefit of the stockholders.

Ordinarily I'd oppose high minimum wages...but since we live in a welfare state...in many cases it would make sense to raise wages so that government spending programs would not kick in. In some manner, young inexperienced people cannot come under a minimum wage...they need an opportunity to learn work ethics and skills, and few employees will hire a green young worker for \$15 per hour. We need some mechanism so that business cannot hire workers for \$9 per hour, and then expect the US taxpayer to subsidize them by paying for their health care, public education, and all of the other public and social services that the general population gets. Workers must earn enough to pay their share of their own living expenses...and they cannot do this at \$10 per hour.

Ultimately the answer is to elect political representatives who understand economics, and who have a vision of a better nation, not just re-election using various special interest groups. This is unlikely to happen, as people either vote their special interest...not the general interest...or don't educate themselves when it comes time to vote.