Taking a bite out of income inequality

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Guest columnist

Disparities in income and wealth in the world are profoundly rampant, particularly in the United States.

People in the top 10% of the income spectrum own about 70% of the total wealth; the lowest 50% own only 2.8%. Folks in the top 1% of income make about 130 times more than the bottom 99%. In the current year, three multibillionaires own more wealth than the entire bottom half of American society.

Chief executive officers of large corporations make 350 times what their workers earn. It was 30 times until the middle 1970s; in the rest of the industrialized world, it's currently 10 to 25 times.

To cope with an ever-smaller share of wealth, the American middle class began to work longer hours in more than one job. Women with young children moved into paid work outside the home (from 20% in 1966 to 60% since the late 1990s). With income sucked to the top of American wealth, the great American bargain — that the middle class can afford what they themselves produce — has been broken.

These statistics are numbing; similar comparisons are endless. It's hard to get past your gag reflex.

Such inequalities are intimately entwined with race, sex, age, health, class and education discrimination.

Disparity is not good, even for the rich. During the years of 1947-75, our nation saw some of its greatest prosperity. Disparity was approaching its lowest in the 1970s (8% to 9% of all income earned by the top 1%), but it began to climb again in 1978 and continues. When it was at its highest (23%), in 1928 and 2007, we inexorably dived into the Great Depression and the Great Recession, which hurt everybody — including the rich — for many years.

Disparity shades into moral territory. Do we celebrate greed? Or should we feel benevolence toward the less fortunate — the greatest good for the greatest number of people?

There are two obvious ways to reduce financial disparity: Decrease the wealth and income of the rich and/or increase the income of the poor. Many approaches have been suggested, some attempted and some should be continued and expanded. They include an expanded earned income tax credit (or even a reverse income tax), higher marginal income tax rates for the wealthy, school vouchers based upon family income, college loans linked to subsequent earnings, medical care for all, higher estate taxes, stronger unions, requiring identification of political donors and getting money out of politics.

Let me focus on the obscene amounts corporate executives are paid — 350 times what their workers earn.

How did this imbalance happen? I have some insight from a longtime business consultant friend whose work often involved recommending how much a corporation should pay a new CEO. Corporations regularly thought their company was special — above average, or aspiringly so. Thus, each new CEO should be paid accordingly: above average.

The elemental math is such, however, that if everyone is paid above average, the average goes up and up over time. Companies became like Garrison Keillor's proverbial — and delightfully impossible — hometown of Lake Wobegon, "where all the children are above average."

My remedy: Suppose Congress passed a law: No employee or officer of any business enterprise engaged in interstate commerce may be compensated, in money or otherwise, in excess of 100 times the federal minimum wage.

Executives could still be paid up to $1.5 million per year (sounds like enough to live on!) at our current federal (and North Carolina) $7.25 per hour minimum wage.

There are wrinkles to be ironed out. The law would require a slow phasing in. Should it be 150 or 200 times? Tied to existing higher state minimum wages? To a company's lowest-paid worker? What about stock dividends, partnerships, sole proprietorships? How would it be enforced?

How long do you think it would take for a political groundswell to develop to increase the minimum wage? (My proposal would thus supply pressure both down from the top and up from the bottom.)

Lessening income and wealth disparity is morally right, consistent with American values and benefits all. Let wealth trickle up, as a "trickle-down economy" does not work, and never has.

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