Chapter 6: What is Needed for Shared Prosperity Plan for the 21st Century

The previous chapters marshalled evidence and highlighted trends unfolding in the Shared Prosperity and Growing Inequality eras. The evidence provided supports the analysis and conclusions, as well the inferences drawn. This concluding chapter is on thinner ice because it is offering ideas and suggesting policies for the future, some quite specific and others more general, required for sharing the gains from economic growth with all workers and households in the United States, especially those most disadvantaged in the Growing Inequality Era.

Growing income inequality since 1980 has adversely impacted more workers and families in America than any infectious disease or even the many national disasters which have cost and disrupted the lives of so many. Declining wages and growing income inequality have loosened the once seeming secure economic footing of so many Americans who moved into the middle class in the Shared Prosperity Era from the end of World War II to 1980.

The nation’s political economy has failed to respond in an effective way and growing income inequality which might have stemmed the level of dysfunction in our economic and political systems worsens. For the good of the country, it is time to heed Louis Brandeis’ sage advice, “We can have democracy in this country, or we can have great wealth concentrated in the hands of a few, but we can’t have both.” The concentration of wealth in the U.S. has reached a level of inequality not seen since the Stock Market Crash in 1929. Most developed economies and democracies, as revealed in Chapter 4, have adopted public policies and passed national legislation to mitigate the adverse impacts of growing income inequality and are providing 21st Century economic security and guaranteed benefits for workers and families. The U.S. has not done so and is missing in action.

Don’t judge politicians, the Republican Party or Democratic Party by what they say about income inequality; judge them by what the public policies they support will do in either accelerating or reducing income inequality.

As Chapter 5 lays out, there are formidable powers, forces and troubling undercurrents at work dividing Americans and undermining the institutions essential for democratic civil society; the Trump has taken a meat cleaver to these institutions and blown out of the water norms and standards that prevailed in the past. Attacks on some of the institutions of civil society and a free press are now emanating from the White House. The current occupant possesses perhaps the most troubling array of human shortcomings of any man who has occupied the office and few of the human instincts and character traits one would desire in a president, or for that
matter in a son or daughter. Russian meddling in the 2016 election, welcomed and enabled by many in the Trump campaign and alt-right, is just another log on the fire inflaming partisanship and incivility in the public arena. Trump’s faux populism exploited the fears, insecurities and angst which have been welling up in the Growing Inequality Era. As a consummate con man who searches targets for his con, he sensed and played to the frustration, anger and mounting grievances and convinced his “marks” their problems were because of immigrants, trade, anything Obama and labels any criticism of him as fake news. As his associates are indicted, convicted and search for plea bargains, he and his supporters still chant “lock her up.”

Neither political party has shown an ability to develop a narrative, galvanize public support and outline a course of action to tackle the major economic challenge facing the country: diverting the nation from the growing inequality path it is on. Although neither party has clean hands, Chapter 5 provides evidence which leads to the conclusion in recent decades that more of the blame for hyper-partisanship and political gridlock rests with the Republican Party more than the Democratic Party. Evidence supporting this assertion is provided.

This chapter will put meat on the bones of the skeletal outline hinted at in the previous chapters concerning a Shared Prosperity Plan for the 21st Century. It offers policy suggestions for the immense task ahead aimed at getting the nation out of the hole it has been digging for too many workers and families in the last four decades and back on the road to shared prosperity. A sweeping era of reform is called for and will require well-informed and evidence-based civil discourse aimed at repairing the damage of the Growing Inequality Era. It offers the outline of a Shared Prosperity Plan for the 21st Century as the north star for guiding political economy adjustments and creating a political environment more conducive for consensus-building and formulating public policy, all bolstered by sustained grassroots involvement and broad public support.

Most Americans will support public policies and national legislation supported by evidence which will put the nation on a shared prosperity path benefiting workers, families and our children’s futures. With the onslaught of fake news, much of the media may willingly agree or be shamed into placing a higher priority on facts and evidence to evaluate the merits of advocated policies instead of on dogeared talking points. To meet 21st Century standards for workers and families, higher taxes will be required for government to fulfill its mission to protect the health, safety and general welfare of the population and to provide the high-quality public goods and services characteristic of modern societies. As Chapter 4 covers in some detail, virtually every other democracy has raised its total effective tax rate in the last 50 years to face late 20th and now 21st Century expectations; the U.S. has not and has regrettably fallen behind these countries in its treatment of workers and families. Since the U.S. is out of step with what most developed nations facing similar challenges are doing, American exceptionalism today no longer connotes the positive image of the country it once did. Public policies aimed at converting the modern-day form of feudal capitalism which took hold in the Growing Inequality Era back the form of democratic capitalism which distributed the benefits of economic growth more equitably to all income groups and social classes in the Shared Prosperity Era.
Canaries in the Coal Mine

One of the difficult tasks in any society is to recognize early warning signals when things start to go awry and before they get more serious and difficult to resolve. We were decades into the Growing Inequality Era before either political party paid much attention to it. Miners, as shown in Figure 6.1, used to carry canaries into the mines. When canaries stopped singing, wobbled in their cages and plopped to the bottom of the cage, miners knew it was time to make for the surface as quickly as possible. It was a sign the canaries may have been overcome by an odorless gas which would soon unbeknownst to them present miners with the same fate of the canary. Perchance the canary had died of natural causes, the miners were not going to take any chances and wait for the autopsy. They scrambled to the surface and were sure to take another live canary with them when they returned to their underground work site. It is one of the hardest things for humans, as individuals and human societies, to recognize a deteriorating situation which unfolds quite slowly and be cognizant of the peril that may lie ahead unless corrective actions are taken.

This begs the question: were early warning signs ignored that signaled the Shared Prosperity Era was in jeopardy? In the face of the tumultuous 1960s, the civil rights movement, Vietnam War protests and sexual revolution rocked the political and social fabric of the nation. Even after tragic assassinations of a president, his brother and the preeminent leader in the civil rights movement, the economy continued to deliver shared prosperity. The inflation-adjusted minimum wage reached its zenith in 1968 of $1.60, which would be worth about $12 instead of today’s minimum wage of $7.25.

The economic turmoil caused by the rapid rise in energy prices following the two energy crises in the 1970s contributed to but was not sufficient to cause a permanent diversion from the Shared Prosperity Era to the Growing Inequality Era because when lower energy prices did return by the early 1980’s democratic capitalism did not return the economy to the shared prosperity path. Instead, a modern-day form of feudal capitalism replaced it and has reigned in the Growing Inequality Era. Chapter 1 presents growing income inequality as a national crime, first undetected and once detected about which little has been done in the last forty years. Chapter 2 suggests that two different political economies were at work; one in which a form of democratic capitalism was distributing the benefits of economic growth across all income groups in the Shared Prosperity Era from 1947-1980 and one in which a form of feudal capitalism has been
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operating in the Growing Inequality Era from 1980 to the present which distributes most of the benefits of economic growth to large corporations and the very wealthy. Chapter 3 provides more evidence and analysis supporting this conclusion and suggests the nation’s failure to heed the warning signs and its ho hum response to the energy crisis and failure to develop an effective long-term energy policy was a missed opportunity. Chapter 4 compares the U.S. response with what other developed OECD countries are doing to enhance the economic security of workers and families. Chapter 5 contends the failure to make political economy adjustments and enact legislation and public policies to address troubling trends threatening workers and families have been the major factor in the Growing Inequality Era. Policies kept in place and new ones enacted rather than mitigating income inequality have made it worse; the recent 2017 Tax Cuts and Jobs Act serving as the poster child for bad tax policy aggravating income inequality. A moribund political economy stood by while the shift from democratic capitalism distributing shared prosperity to feudal capitalism distributing most of the gains to large corporations and the very wealthy took root. Although there is room to find fault with both political parties, evidence indicates the Republican Party bares a larger share of the blame for hyper-partisanship and political gridlock.

Can the Nation Return to a Shared Prosperity Economic Growth Path?

Figure 6.2 shows on the left the course the country is on, a course which is inimical to the nation’s welfare and the strength of its democracy. The right of the graph shows a brighter future is ahead if the nation can summon the will and tenacity to replace the form of modern-day feudal capitalism which has taken hold in the last forty years and make the reforms and modifications in our political economy to return to the era of shared prosperity which prevailed from the end of World War II and 1980.

Figure 6.2: Converting the Growing Inequality Era into a New Shared Prosperity Era
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The nation has failed to address the dying canary early warning signals in the Growing Inequality Era. Figure 6.2 shows the prevailing trend since 1980 as the Top 10% share of income has grown while the Bottom 90% share has declined; the Bottom 90% share of income in 1980 was twice that of the Top 10% but by 2015 they are both at 50% with trend lines unfavorable for the Bottom 90%. The policy choices the political economy has been making as a nation rather than protecting canaries have been hunting them to extinction. Public policies in some cases have done more harm than good if the nation wants to return to a more favorable shared prosperity path. As discussed in Chapter 4, other developed nations have stepped forward, raised taxes and provided a wide array of high-quality public goods and services, and via national legislation and public policies have provided protections, benefits and greater economic security for workers and families in the 21st Century. The U.S. has stepped backwards and allowed the economic cancer of income inequality to grow to levels not seen since the 1920s. We have allowed feudal capitalism to replace democratic capitalism which was producing shared prosperity for all Americans in the Shared Prosperity Era. This modern-day feudal capitalism has served the interests of millionaires, billionaires and large corporations while leaving most workers and families behind. It is no surprise that as democratic capitalism has been pushed aside by feudal capitalism many are seeing and commenting on the weakening of institutions and the erosion of our democracy.

The nation needs new and creative thinking. Trump and Republicans are proud of the recently passed tax legislation which will certainly make income inequality worse and offers nothing of use if progress in the 21st Century is the goal. Trump is more interested in reigniting and inflaming grievances and unearthing ugly skeletons from the past.

Some of the hardest impediments to overcome to put the nation on a new shared prosperity path will be retiring old political shibboleths, some of which have become imbedded in the Republican Party and others which are no strangers to the Democratic Party. With the Republican Party in control of the White House, the Senate and many state legislative bodies and governorships, the party continues it flight to the extreme right, followed by a Supreme Court drifting right as well; this is discussed in some detail in Chapter 5. Figure 6.3 indicates forces, particularly the Republican Party and Supreme Court, are likely to hamper the country from moving in the direction it needs to go. The Republican Party as currently constituted continues to propose policies which are making income inequality worse, which means it will resist policies aimed at putting the nation on a shared prosperity path. As much of the evidence in the previous chapters indicates, unless some tsunami political change occurs in the Republican Party, it will be important for Democrats to assume dominance at the national level and in more states. The Democrats want to do the right thing, but they have failed to develop a compelling narrative supported by readily available evidence that calls the nation to return to a shared prosperity path. If the narrative is compelling and supported by evidence, public opinion will be a key force in moving in the right direction. It will be difficult, but public opinion surveys suggest majorities of Americans will choose a shared prosperity path over the growing inequality path we are presently on. Getting back on a shared prosperity path should be the major domestic economic goal of the political economy.
Several quotes from Hall of Fame Yankee catcher Yogi Berra may provide some guidance. “When you come to a fork in the road, take it.” We want to take the shared prosperity fork in the road. If we continue doing what we have been doing, “It’s like déjà vu all over again,” and growing income inequality will advance. The trail of dead canaries indicates, “We made too many wrong mistakes.” Unless a revived political economy can make needed changes, for most Americans “The future ain’t what it used to be.”

Any successful Shared Prosperity Plan for 21st Century Plan will depend on reestablishing a healthier two-party system than currently exists in which Democrats and Republicans find ways to loosen the grip of hyper-partisanship and perpetual gridlock and create an environment conducive to spirited informed debate and compromise. The wholesale gerrymandering of congressional districts is a primary factor in producing gridlock. If and when the Democrats assume power again in the nation’s capital, they should make it clear they want Republican participation but with the caveat they are not interested in tired Republican mantras to cut government spending and reduce taxes because most sane individuals can be brought to see and as Chapter 4 shows, if American workers and families are to attain 21st Century benefits and economic security, taxes will have to go up because every other developed country has found it necessary to do so. Republicans can be helpful in assuring these increased taxes are used effectively once they agree returning to a shared prosperity path is preferable to continuing along the Growing Inequality path. The U.S. can return to a shared prosperity path but only if the current political economy abandons the feudal capitalism of the Growing Inequality Era since 1980 and returns to democratic capitalism that prevailed in the Shared Prosperity Era from 1947 to 1980.
Taxes in the U.S. Are Not Sufficient to Support the National Legislation and Public Policies Required to Implement the Shared Prosperity Plan for the 21st Century

Politicians do not want to say, and taxpayers do not want to hear that taxes will have to be increased to return to shared prosperity. It would be nice to say the nation can return to a shared prosperity path without raising taxes. Chapter 4 demonstrated that other developed countries have found it necessary to increase taxes to provide the range on public goods and services, guaranteed benefits and level of economic security for workers and families in the 21st Century. This is not an easy case to make because few Americans are willing to step forward and volunteer to pay higher taxes. But absent the higher taxes required to support policies and legislation required, more canaries will die. Figure 6.4 tracks federal spending and revenue for the last 85 years. Since the onset of the Shared Prosperity Era, on average federal spending has exceed federal revenues by 2% a year. This fact leads lopsided Republican thinking to the conclusion government spending is too high and needs to be cut—even worse many voters believe them, often the same voters who depend heavily on the programs Republicans are anxious to cut. A simple fact is the government cannot spend a dime which has not been approved by the actions of a legislative body and signed by the chief executive, the president at the national level and governors in the states. Therefore, it is more accurate to say legislative bodies and chief executives do a poor job of setting taxes at a level to cover expenditures resulting from the legislation they pass and approve. Cutting taxes is easy duty for legislators, raising taxes is another matter and for this reason yearly deficits and mounting national debt have been the norm.
Chapter 4 reveals other developed OECD countries have raised taxes as a percentage of GDP to provide benefits and greater economic security for workers and families struggling with many of the same challenges facing Americans. The U.S. and the average OECD country in the mid-1960s were taxing themselves at about 25% of GDP, but more recently the average OECD country is taxing itself at 34% of GDP compared with 26% in the U.S.

The Republican Party moving further right ideologically has become immune to even considering legislation and public policies other developed countries have embraced and which majorities of Americans support in public opinion surveys. The Republican Party is, through its policy choices, driving the car recklessly on the road to growing income inequality but looking in the rearview mirror for solutions. It has no map or GPS device which can deliver the car to a shared prosperity future where all Americans can participate in and benefit from a healthy and growing economy guided by democratic capitalism rather than the brands of feudal capitalism, plutocratic capitalism and crony capitalism which have emerged and taken hold in the Growing Inequality Era. Public opinion survey results in Figures 6.5 to 6.8 on the next page show on various issues what majorities of Americans would like to see are things the Republican Party does not support, and, in fact, will not even allow to come to a vote in the Senate.

Republicans Oppose Public Policies Majorities of Americans Favor

Figure 6.5 shows solid majorities think corporations and the very wealthy do not pay their fair share of taxes. Yet, these two constituencies make off with the lion’s share of the recently passed 2017 Tax Cuts and Jobs Act benefits which will accelerate income inequality. Republicans celebrated this third round of bogus “trickle-down” economics tax cuts as a great accomplishment. In Figure 6.6, strong majorities favor four of the gun policy proposals—background checks for private and gun show sales (81%), preventing people with mental illness from purchasing a gun (76%), barring gun purchases by people on the federal no-fly list (71%), and creating a federal database to track gun sales (68%)—and the other two banning assault rifles and high-capacity ammunition clips have slight majority support as well. In Figure 6.7, 71% support increasing the minimum wage to $9.00 an hour; even Republicans support it and for all thirteen groups majorities are in favor of raising the minimum wage. As Figure 6.8 reveals, opposition to overturning Roe v. Wade has been strong since the early 1990s and has even edged up slightly to its latest standing at 69%. Republicans stand in opposition to all these actions which garner broad public support.
Figure 6.5: This graph indicates Americans think corporations and some wealthy people don’t pay their fair share in taxes. Yet, the recent 2017 Tax Cuts and Jobs Act passed by Republican dominated Washington goes out of its way to ensure corporations and very wealthy people receive most of the benefits from the legislation.

Figure 6.6: This graph shows broad and majority support for six different reasonable gun policy proposals and especially strong support for 1) background checks for private and gun show sales, 2) to prevent people with mental illness from purchasing guns, 3) barring guns purchases by people on the federal no-fly or watch list, and 4) creating a federal database to track gun sales.

Figure 6.7: All 13 groups in this table have majorities in favor of increasing the minimum wage. All but two of the groups, those making $75,000 or more and Republicans, show favoring an increase at least 30 percent higher than those opposed.

Figure 6.8: Even though a large majority of Americans do not want Roe v. Wade overturned, the Republican Party has made overturning this precedent a stated goal and appointed judges to the Supreme Court using this as a litmus test issue.
Republican Policies Advance Rather than Retard Growing Income Inequality

A sad truth is the Republican Party in the last several decades has become more ideologically extreme. This report focuses primarily on policies, but it cannot ignore the Republican Party elephant in the room. In focusing on policy in a realistic way, it is important to evaluate the dysfunctional elements in the political economy preventing serious consideration, deliberation and eventual enactment of legislation and policies needed to halt and reverse the unfavorable trends in the *Growing Inequality Era* that have plagued workers and families in the U.S.

Republican politicians pay lip-service to valuing workers and families but the policies they support or fail to support suggest otherwise. Who knew when Nancy Reagan championed “Just Say No” to combat drug use, Republicans would embrace it as their guide in opposing so many measures enjoying strong public support, including those which would address growing income inequality, and virtually any policy a Democratic administration might propose. Unfortunately, Republicans have become pushers of a cut government spending and cut taxes drug fix their corporate, wealthy and often dark money billionaire donors dream up in Koch labs such as the American Legislative Exchange Council (ALEC) and other shell right wing lobbying groups across the country. This political drug is pushed by compliant elected politicians who rely on donations from those who will benefit most from the legislation. It is no surprise workers and households who have struggled the most in the *Growing Inequality Era* are those in low paying jobs, those unable to advance to the middle class and those struggling to remain in the middle class.

Figure 6.9 shows for the Trump-GOP Tax Plan in 2017 $85 billion, more than one-quarter of the benefits go to the richest 1% and $149 billion to the next richest 19% while 80% of Americans receive about the same amount as the richest 1%--this is what inequality looks like. The poorest 20% receive $3 billion and foreign investors receive benefits greater than 60% of households. This is an example of the brand of *feudal capitalism* Republican tax policy and other public policies Republicans support. Democrats speak out against income inequality but have done little of substance to address it. The feel-good party must start doing a lot better and hope at some point Republicans will see the light and reengage in a constructive rather than obstructive way.
Goal: Reduce the Corrosive Effects of Growing Income Inequality with a Shared Prosperity Plan for the 21st Century and Develop Measures to Chart Progress

Existing legislation and public policies and newly proposed legislation and public policies should be evaluated as to their effectiveness in addressing income inequality which has become much worse in the Growing Inequality Era. Shared prosperity can only occur if the political economy is reformed in ways that move away from public policies which have enabled inequality to fester in the last forty years and new public policies are enacted to ensure all Americans benefit from economic growth once again. Since the goals and some public policies suggested are significant departures from what we are doing, they may be phased-in overtime to give employees, employers and businesses time to adjust. It would be nice to make changes immediately, but this could produce unanticipated and unintended consequences. A phase-in approach will allow for better assessment of what is working and what may need modification, fine tuning or replacement.

Developing measures to ensure the effectiveness of policies and legislation aimed at reducing income inequality should be relatively easy. Many statistics collected, maintained and analyzed by various agencies of government will be helpful in charting the progress and success of public policies and legislation aimed at addressing income inequality. The Gini coefficient which measures income inequality should come down if the policies are working. If lower income groups return to achieving percentage gains in real income equal to or higher than the percentage gains for higher income groups, as was the case in the Shared Prosperity Era, this will indicate policies are working. Poverty rates before and after taxes and transfer payments should come down.

Public Policy: Repeal and Replace the 2017 Tax Cuts and Jobs Act

This piece of legislation—the third Republican heralded cut taxes on the wealthy and corporations and the economic benefits will trickle-down to the benefit of all Americans—must be repealed because it in so many ways will only make income inequality worse. Democrats do not want to repeat the mistake Republicans made in their efforts to repeal and replace the Affordable Care Act (ACA); the mistake being never making any serious effort to develop a credible replacement. The ACA had its critics but once many citizens realized some of the good aspects of the ACA would disappear if the act was repealed, for example coverage required for those with pre-existing conditions and sons and daughters being able to stay on their parents’ insurance until age 26, the idea of replacement lost its appeal. The current tax legislation should be repealed at a date certain not too distant from enactment of the new legislation for three reasons: 1) companies, businesses and citizens may have made decisions because of the legislation and to yank it away immediately would be unfair; 2) it will take time to work on and pass replacement legislation consistent with shared prosperity goals and restoring a more progressive tax system; however, 3) if replacement legislation is not passed by a date certain the default option would reinstate the preexisting tax legislation before the 2017 act was passed and continue to work on more progressive tax legislation.
One of the many cons Trump foisted on his base is revealed in an interview in which Trump said, "My [tax] plan is for the working people, and my plan is for jobs." When the interviewer asked if the plan would benefit him, Trump assured, "No, I don't benefit. I don't benefit. In fact, very very strongly, as you see, I think there's very little benefit for people of wealth." Based on Trump’s 2005 tax returns, it is estimated the plan would have saved Trump millions. Just add another boulder of a lie to the Rocky Mountain of lies.

Public Policy: Phase-in Increasing the Federal Minimum Wage to $15 per Hour in Less than 4 Years or Less

One of the troubling characteristics of feudal capitalism in the Growing Inequality Era when compared with democratic capitalism in the Shared Prosperity Era is that those working a 40-hour a week job at low wages live in poverty, do not earn a living wage and have little chance of reaching the middle class. Other developed countries provide a higher minimum wage than the U.S. as revealed in Figure 2.6. Given wage stagnation over the last forty years, it is time to raise the inflation-adjusted federal minimum wage to at least where it was in 1968 when it was at its highest and establish cost-of-living adjustments as appropriate. As they are currently doing, states and localities are encouraged to increase their minimum wages to meet their circumstances and cost-of-living variations across the country. With the power of computers and cost of living variations across the country, the idea a setting an identical federal minimum wage for all localities makes little sense.

As Figure 6.10 indicates, the nominal per hour minimum wage in 1968 was $1.60; its inflation adjusted value will reach $12.00 by the end of 2019. The Republican Party has effectively resisted raising the federal minimum wage to $10 which is still $2.00 less in purchasing power than the minimum wage in 1968. For this reason, the first increase in the federal minimum wage should increase to $12 because it is so low presently; then raise it a dollar each year for the next three years would reach the $15 per hour goal. Fortune reports by 2018 eighteen states had raised the minimum wage above the federal one but few have raised it high enough to reach the inflation adjusted $12.00 per hour. A $12 per hour minimum wage would result in a yearly wage of $24,960 for a 40-hour a week job for 52 weeks; this would increase to a yearly wage of $31,200 for a 40-hour a week job for 52 weeks at a $15 per hour minimum wage. At the current federal minimum wage of $7.25, a worker earns $15,080 for 52 weeks.
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For these reasons, raising the general federal minimum wage to $12.00 and in three more years to $15 per hour and then adjusting thereafter for inflation and based on cost-of-living differences for localities across the country makes sense. Given the inability of hourly wages to increase with gains in labor productivity as occurred in the Shared Prosperity Era, the federal minimum wage of $15 will compensate somewhat for stagnating wages in the Growing Inequality Era. It can be anticipated a significant increase in the minimum wage will have a crowding effect and upward pressure on wages for jobs paying above the minimum wage as well; this is a good thing because wage stagnation has been so pervasive over the last forty years. But this is also why a large increase in the minimum wage should be phased-in over a four-year period to provide employers time to adjust. One of the most likely adjustments in the low-paying food service sector of the economy is that $1 meals at fast food restaurants will disappear. Dollar meals are one measure of how low wages are the fast food industry. A $1.50 or $2.00 meal may be possible but that will be up to each business to determine. As indicated earlier, it would make sense to establish federal, state, county and/or zip code minimum wages which take account of cost-of-living differences. As Figure 6.11 indicates, increasing the minimum wage will put more disposable income in the pockets of those likely to spend it and this will benefit local economies and spur additional employment. The disposable income amounts in the table are just for one year. An additional $14 billion going into Main Street economies a year would reverse feudal capitalism’s bias in favor of Wall Street over Main Street. Even in cities like San Francisco, Seattle, Los Angeles, Chicago and New York which are raising the minimum wage to as high as $15 per hour are making only a modest improvement in the purchasing power over the minimum wage in 1968.

New Disposable Income
a $5.00 Increase in the Minimum Wage Produces

![Image of a table showing the impact of raising the minimum wage by $5.00 on disposable income for different locations.]

Figure 6.11: Increasing the Minimum Wage Will Help Workers and Families and Main Street Businesses Across the Nation

THE TRUTH ABOUT WHO MAKES MINIMUM WAGE:

- **35 YEARS OLD**: The average age of minimum wage workers.
- **88%** are at least 20 years old and **35.5%** are at least 40.
- **56%** of minimum wage workers are women.
- **55%** of minimum wage workers work full-time.
- **44%** have at least some college experience.
- **140,000 new jobs created if minimum wage is raised**.

A woman working full time at minimum wage will earn $14,500 annually. Nearly $4,000 below the poverty line for a mother with 2 kids.

3 OUT OF 5 WORKERS earning minimum wage are employed in service occupations (mostly food preparation)

MomsRising.org

#RaiseTheWage

Public Policy: Make a Living Wage for American Households a National Goal

“Living wage refers to a theoretical wage level that allows an individual to afford adequate shelter, food and the other necessities. A living wage should be substantial enough to ensure that no more than 30% of it gets spent on housing. The goal of a living wage is to allow employees to earn enough income for a satisfactory standard of living.” (Investopedia)

Most American workers, families and households have experienced little progress in advancing their economic security and many have been sliding backwards in the Growing Inequality Era. The expanding middle class in the Shared Prosperity Era has been shrinking. The definition for living wage indicates it is the gateway wage into the middle class. It may not be possible to lift all households to a living wage, but it is a worthy national goal.

In 2016, an estimated 40 million Americans lived below the poverty line. A reasonable increase in the federal minimum wage to $15 an hour, close to where its purchasing power was in 1968, is a good first step, but as the cartoon shows will leave a person relying heavily on the minimum wage and low paying jobs well short of earning a living wage. Policies closing this gap are needed in a Shared Prosperity Plan for the 21st Century.

A set living wage for such a large and diverse country makes little sense. As suggested for the minimum wage, cost-of-living differences should be factored in to determine the appropriate living wage for each locality. The living wage also takes into consideration household size and number of adults working. For a household of 2 adults working and 2 children living in Janesville/Beloi area in Wisconsin the MIT Living Wage Calculator indicates the living wage for 2019 is $66,073; for a similar household in New York-Newark-Jersey City area it is $90,764. In Cook County (Chicago) it is $71,198 and in Wheeling, West Virginia $59,846.
Public Policy: Establish the American Household Economic Freedom Fund (AHEFF)

Approaching forty years of wage stagnation and decline in real wages for many American workers and households in the Growing Inequality Era, a strong economic boost is required to assist those workers and families most adversely impacted by stagnating wages and struggling to improve the economic circumstances for their families. The main objective of this program is to begin making up for forty years of neglect and show the nation’s commitment to doing all it can to propel as many households as possible toward the national goal of a living wage.

The proposed American Household Assistance Program (AHEFF) is in line with the goals of programs such as the earned income tax credit and guaranteed income support. Its major feature is it would pertain to all American citizens living in households with earned incomes below the living wage standard for their area of residence. The earned income tax credit has been embraced by conservative economists like Nobel Laureate Milton Friedman and liberal economists alike. AHEFF will assist in meeting the 20th Century goal of reducing poverty but also propel the nation toward the more ambitious shared prosperity 21st Century goal of providing a living wage for as many households as possible. Some tax relief should be targeted at those households earning above the living wage but earning less than $150,000.

An economic shot in the arm for the economy is required to shake the country from its lethargy, four decades of neglect and decisively put America back on a shared prosperity path comparable to that the nation enjoyed in the Shared Prosperity Era. Reducing poverty is important, but equally important is rebuilding and strengthening the middle class. Raising the minimum wage and adopting AHEFF will go a long way in eradicating poverty in the U.S. It should not go unnoticed that something like AHEFF in addition to an increase in the minimum wage would be a tremendous economic boon for Main Street economies across the nation because it would inject billions of dollars of disposable income to qualifying individuals and families whose increased spending will stimulate local economies and help the bottom-line for many Main Street businesses. For an economy that has been dancing to the tune of Wall Street, it is time for Main Street to cut in on the dance floor. More customers with more disposable income are just what the doctor orders for Main Street and will create new jobs in every community.

The goals of the American Household Economic Freedom Fund (AHEFF) are:

- Provide economic assistance, which when added to earned income, will raise households out of poverty and move them closer to the goal of a living wage allowing entrance to the middle class.
- In tandem with increasing the minimum wage, AHEFF payments will be reduced for many qualifying households because the higher minimum wage will increase earned income.
- Augment and reduce the administrative cost of existing assistance programs. Much of the funding for AHEFF will be shifted from existing programs it will replace.
- Deliver assistance directly to households while and reduce administrative costs on existing assistance programs.
Reducing poverty and assist households in moving toward a living wage and middle-class standard of living. Since a living wage for entering the middle class should be the goal of national economic policy, the amount of the AHEFF benefit will decline as AHEFF plus earned income approaches the living wage and eventually phase out once earned income reaches and exceeds the living wage goal.

Should circumstances result in the total income of a household falling below the living wage, the appropriate household AHEFF benefit would take effect.

Any progress in raising wages for more workers will move households closer to the living wage and thus decrease the level of funding required for AHEFF benefits.

This infusion of additional disposable income to eligible households will benefit Main Street businesses and thus stimulate local economies. A better balance between Main Street businesses and Wall Street businesses would be achieved.

A higher minimum wage and AHEFF would make it easier for a parent to stay at home and raise children. With AHEFF and not paying for day care the household may have more disposable income.

This will provide additional income for senior citizens relying mainly on Social Security.

The burden of student debt for education could be reduced with AHEFF payments.

It is important to note much of the funding for AHEFF would come from existing assistance programs which it may completely or partially replace. For example, AHEFF payments plus earned income for low paying jobs are likely to exceed funding thresholds for existing programs and thus reduce or eliminate costs associated with food stamps or other means-tested assistance programs.

How might this new program work? Every American citizen in a qualifying household would receive a maximum monthly payment of $500 a month or $6,000 per year. Therefore, the maximum yearly payment for a family of four would be $24,000. As the household’s earned income gets closer to the living wage standard, the monthly payment per individual would decline and eventually be phased out once the household’s earned income reaches and exceeds the living wage.

Figure 6.12 shows the first two households would receive the maximum AHEFF payments because their AHEFF payment plus earned income fall short of the living wage goal of $58,016 in Peoria for a household of three with 1 adult working full-time and 2 children. Household 3’s AHEFF payment is smaller at $12,256 because its earned income has increased and allows the household to reach the living wage target with a smaller AHEFF payment. Household 4 represents many households whose earned income reaches and exceeds the living wage and AHEFF assistance is no longer provided. However, should a household through unfortunate circumstances slip below earning the living wage, AHEFF payments would resume for whatever period the household’s earned income is lower than the living wage.
The Massachusetts Institute of Technology (MIT) Living Wage Calculator provides reasonable living wage estimates for all states, counties and larger cities for households of varying size and number of individuals working.

Some critics will ask what will stop households from “gaming the system” and only earn enough money to retain the maximum AHEFF payment. There are several responses:

1) Most households want to improve their economic lot and will aspire to increase their incomes above the living wage as so many households already do.

2) These critics might better heed Willie Sutton’s response to why he robbed banks, “That’s where the money is.” If they are really concerned about people “gaming the system,” they should look at how Republican policies align with the interests of their corporate and billionaire donors to game the system in their favor. Who benefitted the most from the 2017 Tax Cuts and Jobs Act proudly passed by Republicans?

3) Even should heads of households behave in this “gaming the system” manner, there is no reason to punish children and families. Local businesses and local economies will still benefit from what people, even those gaming the system, spend since this program will unleash a torrent of spending in communities and Main Street economies from sea to shining sea, many in desperate need of the economic revival this spending would bring.

It is understandable that both those supportive and critical of this proposal will ask: how much will it cost and where will the money come from to support it? The cost of the program will come from 1) shifting costs from current assistance programs it replaces or reduces, 2) cost savings in other programs diverted to this new program, 3) additional taxes, 4) and reducing health care costs as a percentage of GDP and directing some of the savings to this and other existing and new programs as part of the Shared Prosperity Plan for the 21st Century. A significant increase in the minimum wage will reduce any cost estimates for AHEFF as shown in Figure 6.2.

An accompanying policy for consideration when the minimum wage and something like the AHEFF payment are in effect would be to provide households with earned incomes between the living wage and twice the living wage a tax break on their earnings above the living wage; this policy should sunset after five or ten years. The reason for this is these households are receiving no AHEFF payments and will be most impacted by any inflationary or other economic ripples
caused by households just below them on the income scale gaining on them very quickly as would be the case with a higher minimum wage and AHEFF.

**Public Policy: Develop New Guaranteed Savings Accounts as an Incentive to Save**

Chapter 4 shows in the U.S., even with total taxes lower than in other developed OECD countries, Americans have low savings rates. To encourage saving, especially for low and moderate-income households, create government backed saving accounts for a maximum of $10,000 for which the guaranteed rate of return would be at least 1% above cost-of-living. This would provide an incentive to save what little a family can for an unexpected expense and promote the habit of saving. Banks may be willing to add one or two dollars for each $100 deposited in these new accounts until they reach $500 or $1,000 to encourage and attract new customers. Such guaranteed savings accounts should be able to reduce a CNN Money and other reports that “40% of Americans can't cover a $400 emergency expense.”

**Public Policy: Establish a More Progressive Tax System**

One of the “wrong mistakes,” borrowing from Yogi Berra, in the *Growing Inequality Era* was to allow the tax system to become less progressive than it was in the *Shared Prosperity Era*. Figure 6.13 shows the marginal tax rates were considerably higher, especially for the three highest income categories, in the *Shared Prosperity Era* when all income categories were benefitting from economic growth and workers and families were getting in the form of increased wages a greater share of the gains in labor productivity increases. The highest marginal tax rate from 1940-1962 was 80%. It seems obvious to conclude an important factor in the *Growing Inequality Era* was to fail to reverse that trend.
Inequality Era has been the reduction in taxes for wealthier households. Those needing the least help from government are getting the most help.

**Public Policy: Increase Corporate Tax Rate as Share of GDP and Establish a Minimum Corporate Tax**

The corporate income tax share as a percentage of GDP is revealed in Figure 6.14; its share has been declining since 1950 from a high of 6% to 2% recently. The share of federal revenue provided by the corporate income tax was higher but declining in the Shared Prosperity Era. Unless some justification for this decline can be given, corporations need to pay higher taxes than the low level to which they have fallen over the years. If corporations are paying less, it stands to reason property taxes, personal income taxes, sales taxes and other taxes will have to make up the difference.

One of the myths promulgated by Republicans is that corporate taxes are too high. This myth only persists because Democrats and the media do not cite evidence proving otherwise. As corporations have become bigger and more profitable—remember workers are not enjoying the wage gains as labor productivity improved as they did in the Shared Prosperity Era, the corporate tax as a percentage of GDP is lower than the average for OECD countries in 2015 (Figure 6.15); the U.S. at 2.2% of GDP with the OECD average of 2.9%. Given the $18 trillion GDP in 2015, if the U.S. had been at the OECD
average, it would have raised an additional $126 billion in revenue; this would provide the maximum $6,000 AHEFF payment to 21 million Americans. Boosting the corporate tax rate’s share of GDP to 3% would be a good first step.

That some of the largest and most profitable corporations in the world share of taxes paid to support government has declined is a questionable proposition, speaks more to their successful lobbying efforts than to the merits of their case and is consistent with feudal capitalism but not democratic capitalism. A minimum corporate tax of at 5% should be levied on corporations. There may be valid reasons for allowing corporations to reduce their tax liability but all corporation, especially multibillion-dollar ones, should pay a corporate tax of at least 5%.

**Public Policy: Establish a Federal Value Added Tax (VAT) of 10 Percent**

The Value Added Tax (VAT) functions as a national sales tax and should be earmarked to help fund other policies addressing income inequality. Sales taxes are regressive in nature and ensuring that the revenues from this tax go primarily to programs benefiting workers and families harmed the most during the Growing Inequality Era makes sense. Figure 6.16 indicates on average the VAT is about 18% in most OECD countries. Consumers are not reminded of this high tax because it is part of the purchase price and not added on as the sales tax is in the U.S. The U.S. should initiate a low Value Added Tax of 10%. This may allow a reduction in state sales taxes.

Figure 6.17 compares sources of tax revenue for the U.S. and average OECD country. The Value Added Tax indicates the tax on goods and services for the average OECD country constitutes a larger share of total tax revenues than is the case in the U.S., 11.1% to 4.7%. Higher payroll taxes in
the average OECD country provide the guaranteed paid benefits such as paid vacation, holiday and sick days and paid maternity and parental leave weeks which are not matched in the U.S. Any implementation of a VAT in the U.S. should follow the lead of other countries and include the tax in the shelf-price and not add on the tax at the time of purchase.

**Public Policy: Establish a Thanks for the Bailout Tax**

A very modest Thanks for the Bailout Tax of 0.5% on banks and financial institutions would begin to pay back taxpayers for the economic suffering these institutions caused which triggered the Great Recession in 2008 and provide funds for future threats these “two big to fail” banks and institutions still pose. Figure 6.18 indicates the revenue which could be raised with a Thanks for the Bailout Tax ranging from .001% to .01%. With over $18 trillion in assets in banks in the U.S., these rates could raise from $3 to $30 Billion in additional revenue. This amount would cover maximum AHEFF payments of $6,000 a year for 3 to 30 million Americans, remembering that many recipients of payments will to receive the full yearly amount.

### Potential Tax Revenue for Thanks for Bank Bailout Tax and Stock Market Tax for .001% to .01% Rates

<table>
<thead>
<tr>
<th>% tax</th>
<th>2018 Total</th>
<th>Number of</th>
<th>Number of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US Bank</td>
<td>Year AHEFF</td>
<td>US Stocks</td>
</tr>
<tr>
<td>1</td>
<td>$180 Billion</td>
<td>30 Million</td>
<td>$300 Billion</td>
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<tr>
<td>0.9</td>
<td>$162 Billion</td>
<td>27 Million</td>
<td>$270 Billion</td>
</tr>
<tr>
<td>0.8</td>
<td>$144 Billion</td>
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<td>$240 Billion</td>
</tr>
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<td>0.7</td>
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<tr>
<td>0.6</td>
<td>$108 Billion</td>
<td>18 Million</td>
<td>$180 Billion</td>
</tr>
<tr>
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<td>$90 Billion</td>
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</tr>
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<td>$36 Billion</td>
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</tr>
<tr>
<td>0.1</td>
<td>$18 Billion</td>
<td>3 Million</td>
<td>$30 Billion</td>
</tr>
</tbody>
</table>

*Figure 6.18: Revenue Potential for Thanks for Bank Bailout Tax and Stock Market Tax for Rates ranging from .001 to .01 Percent*

**Public Policy: Establish a Stock Market Transaction Tax**

Wall Street benefitted from the bailout. As Figure 6.18 shows, a very modest Stock Market Tax of from .001% to .01% on stocks value of $30 trillion on Wall Street in 2019 could raise from $30 to $300 billion a year. This amount would provide maximum AHEFF payments of $6,000 a year for from 5 to 50 million qualifying individuals. The revenue collected from Stock Market Transaction Tax and the Thanks for the Bailout Tax could be used to: 1) retire some of the national debt, 2) augment the Social Security Trust Fund, 3) go to improving highway and other
transportation infrastructure, and/or 4) fund other national policies aimed at bringing shared prosperity back to workers and families.

It is likely courts may be more inclined to support challenges to new taxes if the revenues they raise are specified for stated priority spending categories and taxpayers are made aware of this in advance of passing the legislation.

**Goal: Find Ways to Generate Funding to Support Workers and Families and High-Quality Public Goods and Services Meeting 21st Century Standards**

Too many politicians claim they are on the side of workers and value families while supporting public policies undermining workers and families. Higher taxes will be required to provide the level of support for workers and families that other developed OECD countries have been providing their citizens for decades as recounted in Chapter 3. This section explores ways to generate additional funding. Figure 6.19 shows in 2015 total taxes in the U.S. at 26% of GDP were lower than all but four OECD countries and 8% less than the average for OECD countries at 34%. Although few Americans are likely to step forward and volunteer to have their taxes raised, if workers and families are to have better working conditions and enjoy paid vacations and holidays, paid maternity and family leave weeks which are common in other developed countries, then legislation guaranteeing such benefits is required. Without national legislation, workers and families must rely on the good Samaritan instincts of employers to provide such benefits and potentially put themselves at disadvantage with competitors who do not offer such benefits. National legislation baked into the employer/employee relationship cake means no employer or employee is treated differently. Currently, in the U.S. a Good Samaritan employer who provides benefits to her or his employees may place themselves at a competitive disadvantage.
Public Policy: Develop and Pass a Single Payer Health Care Option to Reduce Costs and Free Up Funds for Other High Priority Programs

All developed countries have seen health care costs as a share of GDP climb in the last 50 year as shown in Figure 6.20. However, the increase for the U.S. is alarming. The specific comparison of the U.S. with the United Kingdom, Germany and Canada is telling. The UK and Canada have doubled health care spending as a percentage of GDP over the 50 years, Germany has almost doubled its spending and the U.S. has tripled its spending. A good single payer health care program can contribute to lower cost and yearly cost increases.

That national governments should play a role, even dominant role, to ensure health care coverage for their citizens is not a controversial issue in most developed countries. In fact, greater government involvement and single payer national systems is one of the reasons health care costs as a percentage of GDP have not risen as high in other developed OECD countries than in the U.S. Only in the U.S. where private-market health insurance programs still dominate has this been resisted. Public opinion in the U.S. has changed in recent years, as Figure 6.21 reveals, moving from high support for government involvement from 2000 to 2007 to low support during much of Obama’s presidential terms. Although the Affordable Care Act (ACA) was by no means perfect, the decline in support owes to non-stop Republican attacks and criticisms, many funded by the for-profit health care industry. The recent growth in support for more government involvement has returned.
Health care accounts for 17 percent of GDP and is the dysfunctional heartland where feudal and crony capitalism roams. Support for a single payer healthcare program has risen in the last twenty years as revealed in Figure 6.22. Support has grown from 43% in 1998-2000 to 53% by June 2017. This growth has occurred even with a Republican Party opposing and not even willing to consider what other developed countries have done to provide universal care and contain costs. For a party saying it wants to protect taxpayers, not even considering a single payer option—known as one of the best ways to reduce costs—suggests they are not serious, are in the pockets of the insurance industry along with too many Democrats or cannot connect obvious dots. They have capitulated in the face of multi-million-dollar lobbying efforts against a single payer system by the private insurance industry and other corporate interests.

To illustrate the savings a single payer system might yield (Figure 6.23), what if a single payer system had been implemented in 2009 which brought healthcare spending of $3.3 trillion or 17.9% in of GDP in 2016 down to 14% of GDP, which is still higher than other OECD countries, and thus saved 3.9% of GDP? This would have saved $726 billion a year which would afford the opportunity to devote this amount to other purposes.

Figure 6.24 compares drug prices in the U.S. with five other developed countries with effective but less expensive health care systems and shows the kind of cost savings a single payer system would permit. Lantus for diabetes averages $61 in the other five countries but costs $186 in the
U.S. For Crestor a drug for high cholesterol averages $26 in the five other countries compared to $86 in the U.S. The other thing the U.S. does which other countries do less is overbuilding health care facilities. The dirty nine-letter word in providing effective and affordable health care is rationing. This is surprising in a country in which many still pretend market-based solutions to health care work since markets are rationing systems; they happen to be an ineffective rationing system for a public good like health care and any country relying on markets will like the U.S. have a more expensive system covering less of the populations because many will not be able to afford any insurance or only plans with huge deductibles. This is testimony to the lobbying power of the pharmaceutical industry in the U.S.
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As Figure 3.4 reveals the United Kingdom’s single payer National Health System (NHS) produced a health care ranking of 1st for the UK while the more expensive U.S. system ranked last at 11th. Of even greater importance the UK did so at a $3,405 per capita cost compared to a $8,508 per capita cost in the U.S. Why this kind of cost disparity has not led to more politicians and citizens in the U.S. to seriously consider a single payer system is head scratching. Whether it be called Medicare for All, Healthcare for All or some other name, an efficient and effective single payer system is needed for the following reasons to:

1) extend high quality healthcare to all;
2) reduce overall healthcare spending as a percentage of GDP because the nation is currently spending much more on healthcare other OECD countries but is not achieving better outcomes;
3) have the healthcare savings from the single payer system to direct to funding high priority national legislation and public policy programs addressing income inequality and benefitting workers and families;
4) reduce overall administrative costs in healthcare and focus on patient care;
5) deliver healthcare as a right and not a privilege at more affordable price;
6) have negotiating power to bring down costs so that large yearly increases in healthcare become a thing of the past.

Goal: Develop Policies to Reduce Political Polarization and Gridlock

It will be important to reduce the level of political dysfunction to initiate and sustain a Shared Prosperity Plan for the 21st Century. Although both major parties have a history of contributing to this dysfunction, Chapter 5 provided evidence indicating the Republican Party has demonstrated an unwillingness to work with the oppositions party. It has gone so far that the Republican Party has developed two sets of beliefs and standards, one for when Republicans are in power and different more stringent standards when Democrats are in change. The following public policies are offered for consideration. There are many well-informed citizens and policy experts who know more than the author about the subjects raised. At best most of the ideas presented are skeletal in form and more flesh will be added to the bone before legislative bodies act.

Unless wages for all those workers and families who have suffered in the Growing Inequality Era are magically raised twenty, thirty or forty percent, it will have to be government legislation and programs that provide the level of guaranteed benefits, working conditions and economic security other developed countries have provided their citizens. Since increasing taxes was necessary to offer these benefits and economic security, Democrats must resist pandering to taxpayers and pretending workers’ and families’
fates can be improved without raising taxes. Democrats need to develop standards in shaping their tax policies consistent with addressing income inequality and moving to a more progressive tax system like the one that prevailed in the Shared Prosperity Era.

**Public Policy: Establish Non-Partisan Commissions for Redrawing Congressional Districts after Censuses with the Primary Goal of Making Districts as Competitive as Possible**

It is time to end Democratic and Republican gerrymandering of congressional districts when they are in power. Voters are supposed to choose candidates; candidates are not supposed to choose their voters. Districts gerrymandered to favor Democrats or Republicans produce safe districts and safe seats for candidates more wedded to toeing the party line than serving the interests of all citizens in their district. More competitive congressional districts will mean candidates seeking office will have to broaden their appeal. Presently six states – Alaska, Arizona, California, Idaho, Montana, and Washington have established non-partisan commissions responsible for both congressional and state legislative redistricting.

Figure 6.25 shows the difference when Republicans, Democrats or a nonpartisan body drawn congressional districts. The Republican gerrymander effectively produces 3 Democratic districts and 10 Republican; the Democratic gerrymander produces 9 Democratic districts to 4 Republican; the nonpartisan board produces 5 Democratic, 5 Republican and 3 Swing districts.

**Public Policy: Eliminate the Electoral College and Elect the President by Popular Vote**

There have been five U.S. presidents who have lost the popular vote but won the White House; John Quincy Adams 1824, Rutherford B. Hayes 1876, Benjamin Harrison 1888, George W. Bush 2000 and Donald Trump 2016. There were three such presidents in the first 213 years but two in the last 16 years. The President is the only
federal official who can lose the popular vote and assume office. Do we want to have the only
democracy which elects a chief executive who loses the popular vote and claims some sort of
mandate? This makes a joke of one person one vote. Since states are known to lean in the
Republican or Democratic direction, presidential candidates do little campaigning in these states
and focus on swing states. In fact, this means a person’s vote in a swing state is more important
than a person’s vote in a heavily Republican or Democratic state. For these reasons, Russians in
the 2016 election knew that targeting swing states was their most cost effective and likely to
succeed option.

Donald Trump won Pennsylvania by 44,291 votes in 2016. Who knows how much these
margins were achieved with Russian meddling and Comey’s untimely interjection within ten days
of the election? Outside and inside agents attempting to bend a national election in their favor
can harness their resources and focus on a few states. Clinton won California by 4,269,978. This
means Trump received 2,241 more votes than Clinton for each of Pennsylvania’s 20 Electoral
College votes while Clinton received 77,636 more votes than Trump for each of California’s 55
Electoral College votes. It is clear 77,636 votes in California were less important than 2,241 votes
in Pennsylvania in electing the president. In Wisconsin Trump received 2,275 more popular votes
per Electoral College vote and in Michigan 669 more votes per Electoral College vote. The fact
the smallest state has two senators as does the largest state is enough of a concession to the
small states. The 26 smallest states in the U.S. comprise about 18% of the nation’s population
but have 52 of the 100 Senators. Enough is enough. The Electoral College belies any truth to the
one person one vote claim.

Given Russian meddling in the 2016 election and future meddling by anyone, a practical
advantage of doing away with the Electoral College and using the popular vote to determine the
president is this will make it much more difficult for any bad actors to influence the election of
the president. The voting patterns in various states, often called purple states because of their
history of voting for Democratic and Republican presidents and have more competitive races,
show bad actors where to focus their corrupt intentions to subvert democracy.

Public Policy: Reform Conducting National Elections and Campaign Finance Laws

The public policies politicians support and work to enact or those they work to defeat
will have far more importance in the lives of American workers and families and our children
and grandchildren than the political food fights and personalities of the day which attract so
much media coverage. It is unfortunate substantive and evidence-based discussion of issues
which moves beyond stale talking points is not encouraged. Major reforms in conducting national
elections and campaign finance laws are needed if the nation values its democracy. The following
issues should be considered.

1. Eliminate the Electoral College and elect the president by popular vote. The Electoral
College is antithetical to “one person, one vote”.

2. Establish Non-partisan commissions to redraw congressional districts after each
national census with the major criteria being to create competitive districts. Elected politician
still might play a role, if these commissions submit at least three ranked alternative redistricting
plans from which majorities of elected officials would have to agree. If for some reason a majority refuse to adopt or vote for one of the three alternatives, the highest ranked plan submitted by the commission would take effect.

3. Require an early voting period of at least two weeks for national elections.

4. Conduct at the polls voting for two days over a weekend.

5. Any candidate, political party, political action committee or advocacy group running an issues-oriented ad or one favoring a party or candidate 90 days prior to a national election must disclose the names of all donors in real-time.

6. Explore changing a senator’s term from 6 to 8 years and a member of the House of Representative’s term from 2 to 4 years so that all national elections will coincide with presidential election years. Currently, the mid-term non-presidential election years seldom attract more than 40% of eligible votes while presidential years are considerably higher as revealed in Figure 6.26. A major advantage of extending House member terms to 4 years is it would give them time to study issues, attend public forums, provide oversight and even govern rather than return immediately to raising funds for the next campaign. A member could spend three years doing the job and only one devoting an inordinate amount of time raising money and campaigning instead of fulfilling the duties of the office.

7. To the degree possible, reinstate the “fairness doctrine” and “equal time provision” guiding access to the airways three months prior to a national election.

8. Unless and until a major change is made in public funding of campaigns, public funds made available to candidates should be used to promote their political views and the public policies they do and do not support. Public funds can be used in campaign ads expressing their views, explaining how their views differ from those of other candidates and citing the voting record of other candidates but not attacking other candidates.

Public Policy: Require Two-Years of Education After High School Graduation

A high school education is no longer enough for citizens living in the 21st Century. A good education should expose a person to knowledge in various disciplines and prepare them a for lifetime of learning. This is especially the case for a college education. Education should allow a person to investigate and explore various intellectual interests and attain educational competencies relevant to the pursuit of various entry-level jobs and careers. It should cultivate areas of interest for a more enjoyable life beyond a job. Cutting back on arts and music programs for budgetary reasons is short-sighted because education should cultivate interests in students.
Shared Prosperity Plan for the 21st Century

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for enjoyment outside of work and throughout their lives. To the degree sports are included in education, lifetime sports should be stressed which both men and women can play for many decades.

At minimum at least two years after high school should be required. Although it is understandable to expect education to prepare people for useful employment, an informed citizenry in self-governing democracies is more important. There are dangers if too much emphasis is placed on entry-level jobs. If training graduates for entry-level jobs becomes the mission of colleges, they become another way to subsidize businesses at the expense of broader personal and societal advancement. Millions of Americans are currently working in jobs which did not exist fifteen or twenty years ago. People entering the work force today may have several jobs during their careers which do not exist today. Education must take a broader and longer view. Education should play as large or larger role in shaping a person’s non-job activities, especially for people in jobs which they do not enjoy a high level of satisfaction (see Figures 6.27 and 6.28). In a full life, what one does in her or his leisure time may contribute more to satisfaction, happiness and self-fulfillment than the job.

The goal is to make these two years as constructive as possible for life and livelihood in the 21st Century, the way a high school education did in much of the 20th Century. These additional two years could be in traditional college and technical college settings and integrate paid internships and apprenticeships for an on-the-job paid work experience. They could stress subject matter or technical application orientations but components of both would be included in either orientation. It would be ideal if more education leads to less television watching and smart phone gazing on the part of more Americans as they put their human talents, interests, love of serving others and love of learning in science, the humanities, social sciences and the arts into greater self-fulfillment and interactions with others.

A possible alternative to an additional two years of traditional schooling after high school would be to develop a two-year National Service option. The first six to nine months would entail something like a boot camp where developing an esprit de corps in working with others. There would be some mild level of military training and those interested could opt to make military service their option for the entire two-years. Other training in boot camp would entail working with the Red Cross, FEMA and other agencies responding to emergencies caused by storms, earthquakes, fires, chemical spills and other disasters. Much of the training received in these National Service boot camps would be applicable to entry-level jobs. After boot camp individuals could go back to their communities and serve in volunteer fire departments, assisting police, mentoring at risk children, assisting in elderly care and/or assigned to local reserve units which could be quickly assembled and tasked to respond to local emergencies or dispatched to other regions of the country or world for that matter where tragedies unfold.

Goal: Reevaluate Work, Treatment of Workers and What Are the Important Issues and Benefits for Workers in the 21st Century

Market economies attach monetary values associated with goods and services and billions of transactions in the market, as well as the value of human labor. Humans value money...
for what it can do to enhance their lives. There and many important values for which monetary values cannot be assigned. What is love of a partner, love of a child, feeling safe and secure in your home and neighborhood worth? What price does one attach to a best friend, a friendly neighbor, the company of a family pet? Conversely, what cost do we assign to a woman’s fear in walking alone late at night on a dark street? What cost are families living downwind from a smelting plant paying for the foul air they breathe? What are the benefits and costs for two six graders with similar abilities, one attending a school where six graders perform a grade and a half lower in reading, math and science and the other where six graders perform a grade and half higher in these subjects? What is benefit of a beautiful sunset or a two-week vacation.

Many human experiences can contribute to human happiness and influence an individual’s fulfillment on Maslow’s hierarchy of needs pyramid (see Figure 1.9). In reevaluating work, the concepts of social and human capital can provide guidance. “Social capital broadly refers to those factors of effectively functioning social groups that include such things as interpersonal relationships, a shared sense of identity, a shared understanding, shared norms, shared values, trust, cooperation, and reciprocity.” (Wikileaks) Human capital is “the collective skills, knowledge, or other intangible assets of individuals that can be used to create economic value for the individuals, their families, their employers, and their community.” Psychological and emotional health have values too.

The Industrial and Technological revolutions harnessed energy and technology slaves capable of doing much of the work that only humans and beasts of burden could do in the past. Had not energy slaves provided by burning of fossil fuels, nuclear reactors and hydro, wind and solar power been unleashed, forms of human slavery, debt peonage and tenant farming would have persisted in many countries where they have been eradicated. Unfortunately, if truth be told, it was technology as much as any moral awakening that ended slavery. Energy and technology slaves don’t have souls or heart, don’t go on strike or fight for higher wages and they do work humans assign them to do without complaint.

The Product Cycle of New Industries and Technologies: As depicted in Figure 6.27, another factor that changed in the last 75 years is the shortening of the product cycle for new industries and new technologies over this period. Any new industry or technology goes through a lifecycle in which stages of youth, maturity and old age unfold. When industries are young they tend to locate in high labor cost areas because highly skilled and high paid labor is required.
However, as an industry matures, better machinery is often developed to do the job once requiring skilled workers to do. As an industry enters old age, plants may relocate from high labor cost areas to regions of the country or world where cheaper labor can do the job. For example, early televisions in the U.S. were manufactured in Boston and Chicago because this was where the electrical engineering skills required for assembling televisions was located. Once component parts of the television could be assembled by less trained individuals, the manufacturing of televisions moved elsewhere.

Problems Facing Workers in the Growing Inequality Era: Figure 6.28 identifies five problems faced by workers that should be considered in reevaluating work. These problems are 1) unemployment, 2) underemployment, 3) underpaid employment, 4) working too many hours and 5) those working who are dissatisfied with their jobs and would like a different job. Several of these problems have grown considerably in the Growing Inequality Era. Since 1980 underpaid employment has become an increasing problem, especially in comparison to the Shared Prosperity Era. Underpaid employment leads to working too many hours because this relates to declining real hourly wages. Recent surveys indicate job dissatisfaction has also been on the rise in the Growing Inequality Era.

As Figure 6.29 reveals, the percentage of workers satisfied with their job has declined noticeably between 1987 and 2009. The decline in satisfaction has been greatest for those 65 and older and those under 25. It is quite possible that much of the dissatisfaction may relate to the failure of real wages to increase in the Growing Inequality Era.

Figure 6.30 reveals those employed in the private sector are less likely to say their job in gives them a sense of identity (42%). Whereas those who work in government, non-profits or are self-employed say their job gives them higher rates of a sense of identity had higher rates of 67%, 65% and 62% respectively. Since working for government and non-profits often involves
providing a service to others, this may provide a measure of satisfaction higher than working for a private company striving to make a profit. It is somewhat surprising that self-employed workers do not record the highest level of satisfaction.

**Public Policy: Board of Directors for Large Corporations and Industries Should Have One-third of Their Members Representing Workers**

With the demise of unions and forces giving feudal capitalism more power to owners and investors, the power of labor has been dismantled during much of the Growing Inequality Era. In the case of Europe national legislation is providing workers and families with the benefits discussed in chapter 4 which only unions once fought for. This has not occurred in the U.S. Workers’ wages increasing with gains in labor productivity was a hallmark of the Shared Prosperity Era. As Figure 6.31 indicates, workers have been pushed farther away from the bargaining table with management in the Growing Inequality Era. Average hourly wages in constant dollars have increased only $2.38 in over 50 years. Since the average is influenced by those with very high hourly wages, the median hourly wage has performed even worse over the last 54 years. Clearly, workers are enjoying less of the fruits from their labor and labor productivity gains are going to CEOs, management and investors.

Since the influence of union representation on behalf of workers has been declining, large companies are free to tend almost solely to the interest of shareholders. This leads to concentration on short-term quarterly earnings which can be enhanced by shedding workers or moving operations abroad. Requiring some members on board of directors to represent workers...
would at least allow seats at the table attuned to how workers and families will benefit or be adversely impacted.

Germany’s Codetermination Law enacted in 1975 ensures “the right of workers to participate in management of the companies they work for......The law allows workers to elect representatives (usually trade union representatives) for almost half of the supervisory board of directors.” (Wikileaks) Other laws entitle workers to form Work Councils in individual establishments. The long, steady decline in real wages adversely impacting so many workers and families can only be explained by the decline in the power of labor.

**The 40 Hours a Week Standard:** “Eight hours labor, eight hours recreation, eight hours rest.” This is a phrase coined in as early as 1817 by Robert Owen—an 18th century Welsh mill owner and labor rights activist. Robert Owen was indeed an industrial leader of his day in showing concern for workers. Since the Industrial and Technology revolutions have in many cases replaced workers or required far fewer workers, is it time to reevaluate and even redefine work as it is generally conceived today?

Ford Motor Company instituted the five-day, 40-hour work week in 1926. The U.S. established it as a standard in 1940. Assuming a 40-hour week and two-week paid vacation, this would entail 2,000 hours per year; this is more than the 1,790 average annual hours worked per worker in 2015 which includes part-time workers and seasonable workers. Just as the 40-hour work week became the standard for the 20th Century, is a different standard more appropriate...
in the 21st Century, especially in highly developed countries? Figure 6.32 displays the average number of hours worked in OECD countries in 2015. Only four countries—Greece, South Korea, Costa Rica and Mexico—exceed 2,000 hours per worker a year.

Studies confirm many U.S. employees are working more than 50 hours each week and one Gallup survey reported 20% working more than 60 hours. A research firm FRACTL conducted a survey of 2,000 people and asked to respond to a “list of 17 benefits and indicate how heavily they would weigh each benefit when deciding between a high-paying job and a lower-paying job with more benefits.”¹ Results from this survey in Figure 6.33 provide useful evidence suggesting which policies may best address the largest number of concerns and improvements workers identify as being important in their decisions. Better health, dental and vision insurance and more flexible hours are virtually tied with slightly more giving heavy consideration to insurance. More vacation time and working from home options each received strong support. Clearly, existing or new policies worthy of more attention are those that can best address these issues. As chapter 4 revealed, other developed countries have instituted national legislation guaranteeing more paid vacation days and paid parental leave weeks than are provided in the U.S., the 3rd and 8th ranked issue on the list.

**Public Policy: Establish a National Standard of 15 Days of Paid Vacation for All Full-Time Workers**

Virtually every other developed country guarantees paid vacation days for all full-time workers. As was shown in Figure 6.34, 21 paid vacation days are common throughout Europe.

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¹ “Employee Benefits Study: Which Job Perks are Most Important to Employees?” FRACTL
https://www.frac.tl/employee-benefits-study/
For those business establishments employing part-time workers, the number of vacation days would be reduced; a person working half-time would get 7.5 paid vacation days. For those businesses saying this would be too difficult, the fact that all employers will be required to meet the same standard and therefore no competitive advantage or disadvantage should pertain. Yes, prices may have to be raised but this is the price of doing business in a 21st Century where democratic capitalism replaces the feudal capitalism of the Growing Inequality Era.

**Public Policy: Establish National Standards for Paid Maternity and Paid Parental Leave Weeks**

Some politicians proclaim for all to hear how much they value families and the importance of raising children, but when it comes to policy making all one hears to advance such an agenda are crickets. Politicians who think there is no way America could possibly meet the standards other developed countries are already providing should either not be in office or explain just what defect in the American character prevents what other humans on the planet are doing with little fuss. It is a defect in our political economy to respond to the clear and present danger of allowing growing income inequality to continue. Twelve weeks of paid maternity and 24 weeks of paid parental leave weeks should be considered; this would be the very low end of what European...
countries are already providing. I believe a good portion of the Value Added Tax suggested earlier in this chapter

**Public Policy: Allow Workers a 32 Hours a Week Standard**

With energy and computer slaves doing much of the work humans once did, it is time to question the 40 hour work week as a standard. The 40 hour work week would be maintained for those who want it but workers would have the option to work a 32 hour week. In the era when stagnant and falling real wages are forcing workers to work more hours, a growing number of studies reveal the productivity and effectiveness of workers decline when the work too many hours. A Gallup survey in Figure 6.35 shows 39% of full-time employees worked in excess of 50 hours a week and 18% 60 hours or more. “Research that attempts to quantify the relationship between hours worked and productivity found that employee output falls sharply after a 50-hour work-week, and falls off a cliff after 55 hours—so much so that someone who puts in 70 hours produces nothing more with those extra 15 hours, according to a study published last year by John Pencavel of Stanford University.”

“If the 21st Century work week is reduced to 32 hours a week with two weeks of paid vacation, this would be 1,600 hours worked per year for a full-time employee. A 32-hour work week should also consider flexibility in days worked. For example, four 8-hour days would permit a longer weekend or a day during the week off agreed to by employer and employee. Working 11 hours two days and 10 hours a third day would permit a three-day work week agreed to by employer and employee. Since this would free up what had been an 8- hour work day for those who had been working a 40-hour work week, four workers switching from a 40-hour to 32-hour work week would free up a new 32-hour job a week job.

There may be several ways to deal with this issue. If an employee working 8 hours a day for a 40-hour week switches to a 3 day a week in the 32-hour work week, she or he will save on transportation costs, childcare costs and other expenses associated with fewer workdays. A societal benefit of longer than eight-hour workdays and fewer workers commuting to work at the same time every day is rush hours may not be as intense although extended a bit. Any

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curtailment of traffic intensity would require less public investment in trying to accomplish mission impossible by meeting peak-hour traffic demand.

Obviously, one of the biggest drawbacks in moving to a 32-hour a week standard, especially in the Growing Inequality Era, is lower earnings if the hourly wage is not increased. It is quite possible there may be more workers willing to volunteer to switch to a 32-hour week than first imagine.

Summary

This report has focused the different distributions of the benefits of economic growth in the Shared Prosperity Era, 1947-1980 and Growing Inequality Era, 1980-present. In the earlier era a form of democratic capitalism was distributing the benefits of economic growth in an equitable fashion across all income groups; all boats were rising with the economic tide of prosperity. Since the Reagan presidency, a form of modern-day feudal capitalism has been on the march the past 40 years to the detriment of millions of workers and families. Feudal capitalism has resulted in most of the benefits of economic growth bypassing lower and middle-income households and going primarily to corporations and the very wealthy; large yachts and luxury liners are sailing on and smaller boats are dead in the water and many at risk of sinking. Much of the economic and political dysfunction in the country is a consequence of the erosional impacts of the Growing Inequality Era. If the country political economy does not reform and generate policies and legislation aimed at returning to a shared prosperity path and remains on the growing inequality path, any embers of belief in the notion of American exceptionalism will be extinguished. Figure 6.36 shows how the Gini coefficient indicating income inequality came down some in the Shared Prosperity Era but grew steadily in the Growing Inequality Era.

Throughout the report and especially in Chapter 4 it is shown most other developed countries have already acted to mitigate the harmful trends apparent in the Growing Inequality Era. The average total tax rate for these other developed countries matched that of the U.S. in the mid-1960s at around 25%. However, ever since the average total tax rate for these other countries has moved up closer to 35% while the U.S. has hovered between 25-27%. These other countries realized that raising taxes to provide the high-quality public goods and services and level of economic security and guaranteed benefits for workers and families in the 21st Century was necessary. The U.S. ostrich-like political economy has yet to come to this realization.
Whereas other developed countries looked up to the U.S. in the post-World War II years, they have been looking in the rear view mirror as the U.S. falls behind when it comes to maintaining a strong middle class and protecting the health, safety and general welfare of workers and families to the degree other developed countries do.

Chapter 5 marshals evidence indicating the national economy, as measured by GDP growth rates, job creation, gains in personal income and lower deficits and debt, has performed better the more the Democratic Party dominates the White House, the U.S. Senate and House of Representatives in both the Shared Prosperity and Growing Inequality eras. When Republicans are ascendant in the nation’s capital, the economy has not performed as well. This evidence debunks claims Republicans are better stewards of the economy.

The political economy in the U.S. needs to change for the better to reverse income inequality and can only do so if the current economic and political dysfunction is addressed head on. Increasing political dysfunction, polarization and gridlock have been features of the Growing Inequality Era. Although neither political party can be absolved from inattentiveness in recognizing and addressing the problems posed by growing income inequality, evidence shows the Republican Party’s radical move further right, aided and abetted by the Tea Party, now the Trump administration and a Supreme Court moving further to the right, have contributed more to polarization than the Democratic Party. To cite but two critiques of the Republican Party drift.

“The GOP has become an insurgent outlier in American politics. It is ideologically extreme; scornful of compromise; unmoved by conventional understanding of facts, evidence and science; and dismissive of the legitimacy of its political opposition.” (Thomas Mann and Norman Ornstein, It’s Even Worse than It Looks: How the American Constitutional System Collided with the New Politics of Extremism, 2012)

“Today we have the spectacle of smart, patriotic men and women putting their brains and integrity on ice to please a party dominated by anti-intellectual social Darwinists and the plutocrats who finance and mislead them.” (St. Louis Post Dispatch editorial, Eight myths to chill an old-school Republican soul, June 26, 2011)

A phalanx of right-wing media outlets no longer constrained by the “fairness doctrine” and “equal time provision” of the past has been established to feed a self-indoctrinating Republican base willing to ignore logic and evidence in favor of invective, scientific ignorance and wild conspiracy theories. Corporate and an oligarchy of right-wing billionaire donors have established a wide and effective interlocking network of advocacy groups, institutes and organizations, fueled often by dark money, to enact legislation serving their interests. For these reasons and given how Republicans, who openly criticized Trump as a candidate, converted to abettors and sycophants once he was elected and unless the Republican Party changes dramatically or Democrats control the White House and Congress, it will be virtually impossible to return to a shared prosperity path because Republicans in knee-jerk fashion will oppose the necessary legislation and have displayed a history in recent decades of supporting legislation, in particular three increasingly problematic trickle-down tax cuts under Reagan, Bush II and Trump, which have worsened income inequality and led to rising yearly deficits and a growing national debt.