

## REAL WEALTH TRANSFERS AND TRICKLE-DOWN ECONOMICS: A FORTY YEAR EXPERIMENT ON THE AMERICAN PEOPLE

### Real Wages For the Bottom 90% Are 67% Below Equitable Target: A Cumulative Wealth Transfer of \$47 Trillion to the Top 10%

Source: Rand Corporation report

[https://www.rand.org/content/dam/rand/pubs/working\\_papers/WRA500/WRA516-1/RAND\\_WRA516-1.pdf](https://www.rand.org/content/dam/rand/pubs/working_papers/WRA500/WRA516-1/RAND_WRA516-1.pdf)

Trends in Income From 1975 to 2018 By Carter C. Price and Kathryn Edwards November 20th, 2020

Abstract: The three decades following the Second World War saw a period of economic growth that was shared across the income distribution, but inequality in taxable income has increased substantially over the last four decades. This work seeks to quantify the scale of income gap created by rising inequality compared to a counterfactual in which growth was shared more broadly. We introduce a time-period and income-level agnostic measure of inequality that relates income growth to economic growth. This new metric can be applied over long stretches of time, applied to subgroups of interest, and easily calculated. **We document the cumulative effect of four decades of income growth below the growth of per capita gross national income and estimate that aggregate income for the population below the 90th percentile over this time period would have been \$2.5 trillion (67 percent) higher in 2018 had income growth since 1975 remained as equitable as it was in the first two post-War decades. From 1975 to 2018, the difference between the aggregate taxable income for those below the 90th percentile and the equitable growth counterfactual totals \$47 trillion.** We further explore trends in inequality by applying this metric within and across business cycles from 1975 to 2018 and also by demographic attributes such as race, gender, and education level.

#### During This Period, Real Housing Costs Exploded:

- Middle Income Reality: Real Housing Costs Up 100% Since 1975, 80% Since 1980
- Lower Income Reality: Real Rental Costs Up More Than 124% Since 1975, 103% Since 1980

<https://fred.stlouisfed.org/series/QUSR628BIS>

<https://fred.stlouisfed.org/series/DTENRA3A086NBEA>

#### SO, THAT LEAVES US WITH ONE QUESTION: WHY WOULD PEOPLE BE ANGRY?

SIMPLE ANSWER: Clearly something under 10% of the People are not angry (90<sup>th</sup> percentile income is \$126,000 per earner across the U.S. 53% of families have 2 income earners.). They have benefitted greatly from Republican tax policy over the past four decades. Distribution of national income was far fairer under Eisenhower (at least for White families) than it has been over the past 40 years.

During the last 40 years, two-thirds of income growth has gone to 10% of the People. This compares to the period after World War into the 1970s, when 62% to 65% of national income growth went to the bottom 90%. **Put another way, median family income today would be about \$112,760, not the current \$67,521, if equitable income distribution had continued during and after Reagan. The average family would be positioned in the 85<sup>th</sup> percentile, not the 50<sup>th</sup> percentile as they are today.**

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The reality is, as of today, those families are in desperate need of help, Senator. Center-right policies got us here, far right autocracy will not get them out of this problem. You know as well as I do, the situation of the 90% will get worse not better under center and far right policies.

Our democracy will vanish as an I Alone Can Solve It demagogue and cronies line their pockets still further. The entirety of Build Back Better is needed and now, or our democratic republic, “the last, best hope for the world” (Colin Powell) will vanish in this fomented and completely misdirected cloud of righteous indignation and anger (what I have to call The Epic Lie).

You’re up. Do what needs to be done and do it now. Call your Senators and Representative.

Thank you.

Oh, by the way – The national debt is \$29 trillion as our federal revenue (tax) policies have transferred \$47 trillion to the top 10% over 40 years. Simply raising taxes on the top 1% halfway back to Eisenhower era tax rates for those making over \$500,000 (or those who claim middle class incomes and have billions in untaxed wealth used as collateral for loans) would eliminate the national debt in 20 years or so. Actual Republican policy? A 38% national debt increase in Trump’s four years. Yes, some of that was under extenuating pandemic circumstances. The overall reality is that America’s future is fading toward autocracy and oligarchy absent swift and strong intervention. This will imperil our national security more than any external enemy, and our brief 240 year experiment with self-government, that “last, best hope” will disappear into the ash heap of history.

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