Our Congress And Its Supply Side Debacle

Income Percentile Level	1975 Actual Income	2018 Actual Income	2018 Actual Increase	2018 At US 120% Econ Growth	Income Act to US 120% Econ Growth	Portion of US 146MM Working Population	Purchasing Power ($ Billions) 2018 Actual	Purchasing Power ($ Billions) At US 120% Econ Growth	2018 Incremental Purchasing Power ($ Billions)
Top 1%	$ 289,000	$ 1,384,000	379%	$ 630,000	-54%	1,460,000	$ 1,212	$ 920	$ (293)
99th Percentile	$ 257,000	$ 761,000	196%	$ 560,000	-26%	1,460,000	$ 1,111	$ 818	$ (293)
Actual US Economic Growth From 1975 to 2018			**<u>120%</u>**	***The Dividing Line - Imposed By The Failure Of Congress And Presidents To Share Prosperity Broadly***					
75th to 98th Percentile	$ 58,000	$ 81,000	40%	$ 126,000	56%	35,040,000	$ 2,838	$ 4,415	$ 1,577
50th to 74th Percentile	$ 42,000	$ 50,000	19%	$ 92,000	84%	36,500,000	$ 1,825	$ 3,358	$ 1,533
25th to 49th Percentile	$ 28,000	$ 33,000	18%	$ 61,000	85%	36,500,000	$ 1,205	$ 2,227	$ 1,022
Zero to 25th Percentile	Unknown - income information not available.					35,040,000	$ -	$ -	$ -
2018 added consumer spending at US 120% Economic Growth (70% of total)								17.3%	$ 3,546
2018 added investment spending at US 120% Economic Growth (30% of total)								5.2%	$ 1,845
2018 GDP Increase Based On 2018 US Econ Growth								22.5%	$ 5,391
Additional federal tax receipts at US 120% Econ Growth									$ 1,078
2018 Actual GDP Growth ($420 billion, including $984 billion federal deficit)								2.1%	$ (984)
Federal surplus at 2018 US 120% Econ Growth									$ 94

Source: Income data from Rand Corporation study: Price, Carter C. and Kathryn A. Edwards, A New Approach to Measuring Income Inequality Over Recent Decades. Santa Monica, CA: RAND Corporation, 2021. https://www.rand.org/pubs/research_briefs/RBA516-1.html The accompanying working paper, including the methodology and details by state is at https://www.rand.org/pubs/research_briefs/RBA516-1.html

Notes: US Real Economic Growth from 1975 to 2018 was 120%, per Rand Study. If that growth were shared more or less equally across the economy, the various income levels would have earned income as shown in the column entitled 2018 US At 120% Econ Growth. Instead, since Congress and Presidents have allowed the federal minimum wage to deteriorate to its 1955 purchasing power level. With this legislatively suppressed federal minimum wage floor, the lowest 90% of wage earners have all been systematically left behind as the economy has grown, so incomes only reached the amount shown in the 2018 Actual column.

Notes continue on next page.

Our Congress And Its Supply Side Debacle

For simplicity, all incomes from the noted base percentile, such as the 50th Percentile, to the next greater level, such as the 75th Percentile, are considered to earn the base income for that lowest Percentile, in this 50th Percentile case that was $50,000 noted in the column entitled 2018 Actual, even though this significantly understates the total income which would be earned by all those between the lower 50th Percentile limit and upper 74th Percentile limit.

Tax withholding and personal savings are not considered, except that Top 1% are considered to spend only 60% of their 2018 Actual income since the upper extreme incomes for top earners can be in the tens of millions and above. Since governments typically spend all they take in at state and local levels, and more than that at the federal level, the tax withholding effect is assumed to be neutral for this simplified analysis, as governments also spend the total taxes withheld on a range of products and services in the general economy, similar to consumer spending.

As a result of these simplifications, the overall practical economic growth effect of the net added consumer purchasing power which the lower 98% of incomes would add to US GDP (our total economy), if those incomes had kept pace with 120% overall US real economic growth between 1975 and 2018, as shown in the column entitled 2018 US 120 Econ Growth, is understated in this analysis.

Note that the net effect of this profound policy change from failed supply side economics to market driven demand based economics, with a minimum wage floor which would raise the income levels of lower wage workers to more broadly share prosperity, is (i) to wipe out the federal deficit while (ii) providing nearly all Americans substantially higher real disposable incomes. Government income subsistence programs could be dramatically reduced, as around 25 million people who now rely on government dependencies could self-support. Over time, lower income workers could also accumulate savings, reducing family stress in financial emergencies, and reducing the need for added government support in their retirement years.

While higher wages for lower incomes would increase labor costs, particularly in least well paid higher labor content services industries, overall company earnings and stock values would increase for many publicly held and privately held companies as a result of $3.5 trillion in additional consumer buying power, a 17.3% GDP increase. It would also mean that consumers would pay the actual cost of services and products delivered, not one distorted by wages held artificially low in certain industries who then must rely on government dependency payments to meet the most basic and modest standard of living in the wealthiest nation on the planet.

The Top 1% would benefit from the increasing value of their investments, at earnings multiples of 15 to 30 times those added earnings, in companies which profitably produce goods and services. Since 90% of all goods and services are sourced within America, a 17.3% increase in total GDP would wipe out any adverse effects of the lower cost imported goods, which comprise about 10% of all goods, across virtually every category of American-based enterprise.

This is globally competitive American capitalism which would benefit Americans broadly with lower costs for many categories of products while avoiding otherwise inevitable retaliations against American owned multi-nationals in other countries for US protectionism and tariffs.