Corporate Wealth vs. the Middle Class: What Can We Do?

February 22, 2012 – The future of our country is at stake. Income inequality, a leading cause of our current economic troubles, is at levels as high as those before the Fall of the Roman Empire and during the Great Depression of the 1930s. As income inequality rises, power concentrates in the hands of big corporations and a handful of wealthy people. Corporations increasingly have the power to shape public policy in their own favor, resulting in a cycle of misfortune – stagnant incomes, lack of good jobs, and lack of opportunities to succeed. Unions are the last institutional obstacle standing between the total demise of the middle class and the corporate takeover of America. Unfortunately, unions, including education associations, are under severe attack now. This is no accident.

The Truth about Corporate Takeover: The truth is big corporations were behind policies and actions that have given rise to growing income inequality in America during the last 30 years. As described in Naomi Klein's *The Shock Doctrine: The Rise of Disaster Capitalism*, Jeff Madrick's *The Age of Greed: The Triumph of Finance and the Decline of America, 1970 to the Present*, and elsewhere, corporate leaders saw a nation in the midst of decades of post-war economic growth and massive investment in human capital and the nation's infrastructure, and most especially characterized by a rising middle class, but were dismayed at seeing all of this new wealth being distributed more or less equitably. They were not satisfied with existing corporate profits at the time, growing though they were. Envious of the way things were in the 1920s, key leaders of the corporate world, including Walter Wristen of Citibank, went to Milton Friedman, head of the 'Chicago School' of laissez-faire economics in search of a new economic plan that would make America hospitable once again to the acquisition of huge corporate and personal wealth, unimpeded by the responsibilities implied in a progressive tax structure or the strictures of New Deal rules, regulations, and worker rights.

The Friedman Economic Plan: The three-point plan developed and pushed by Friedman's academic followers and the corporate world's lobbyists was simple: Deregulate, privatize, cut the size of government. It is outlined in his book, *Free to Choose (1980).* The successful implementation of this three-point plan began when Friedman became President Reagan's key economic advisor. Friedman and corporate leaders such as Walter Wristen were often seen in White House photos alongside President Reagan. Apart from implementing the three-point plan – with the White House taking the lead – they were able to succeed by virtue of a combination of steadfastness of purpose and an immense amount of wealth poured into the cause over these last 30 or more years by a network of foundations and other funding sources that have supported college campus recruitment, a variety of well-funded and now prominent think tanks that served, in turn, as training institutes and placement agencies for jurists, political candidates, consultants, and staff appointees, and as holding tanks for those same people when their benefactors are out of office and they must wait for the next round of elections.

Its Devastating Impact on the Middle Class: Coming out of the Great Depression and World War II, our economy grew steadily, and it grew for everybody. One remarkable trend is that, until 1973, median family income grew at the very same rate as did our economic productivity. As the economy grew, working families benefited proportionately from the fruits of their labor. This began to change in the mid 1970s and accelerated from 1980 onwards. Since that time, incomes have stagnated for middle class families, while we have seen vast increases in profits for corporations and in income and wealth for those at the very top. It's not that productivity has waned – not at all. The economy has continued to improve all the time. The problem is that the new wealth that has been created hasn't been shared equitably.

And it's not just families who have been hurt. Small businesses have been hurt, too. While the profits of big corporations have been taking an ever-increasing share of the national income, and the financial sector has come to dominate our entire economy, small businesses have suffered tremendously, unable to keep pace with large corporations and the tax breaks and subsidies they receive.

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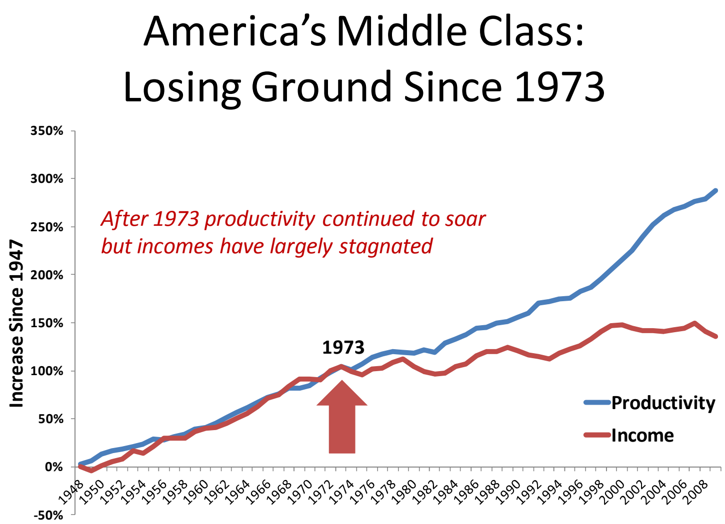
When hundreds of thousands of people were losing their jobs in 2008 and 2009, and banks and financial firms were bailed out by the tax-payers, Wall Street was still handing out six- and seven-figure bonuses to their employees for a “job well done.” Credit default swaps and other Wall Street chicanery unleashed by wholesale deregulation brought the economy to its knees. And who is blamed? Teachers, cops, and firefighters. Nurses and caregivers. The elderly. The poor. So, of course, what are we told is the only solution to closing the nation’s deficit? We must cut and slash the pay and pensions, Social Security and Medicare of these working and no-longer-working Americans, while those who dug the hole we’re in ask only for more tax cuts for themselves and the corporations they own. Oh, yes, and that’s not enough – we must also take away the only leverage they have by taking away their collective bargaining rights. Meanwhile, of course, we can afford hundreds of billions to bail out Wall Street and the banks who caused the housing market to collapse around us, but virtually nothing to actually prevent working families from losing their homes.

Meanwhile, relentless waves of tax cuts have combined with the large-scale deregulation of corporate activity and the privatization of many sectors that had previously been carried out by local, state, and federal governments resulting in a government too weak to protect people’s basic rights and economic security or to make the needed investments in people and infrastructure.



Productivity data from [Labor Productivity and Costs Databases](#);
Income data from [Bureau of Census, Race and Hispanic Householder-Families by Median and Mean Income](#);
Historical analysis of income data by [Economic Policy Institute](#).

Now, as we crawl out from under the most devastating economic shock since the Great Depression, we find ourselves in a country that is slashing education budgets, jacking up college tuition, cutting tax rates on the wealthy and corporations, and undermining union power at every turn. Workers are losing their voice, their standard of living, and their homes, while corporations are free to create dummy corporate entities in tax havens, all the while pushing down workers’ wages and benefits and stifling their right to organize.

What Can We Do? We must begin by closing corporate tax loopholes that allow our biggest multinational corporations to pay very little, often zero, in taxes – sometimes even *less than zero*. We must reinstitute the banking and finance industry regulations that were successful for so many decades. We must put an end to the ‘Romney Rates’ that allow the wealthiest members of society to pay lower tax rates than struggling middle class families. We must invest anew in educational opportunities and in our communities, rekindling key aspects of the American Dream by making social mobility a real possibility again, and meeting head-on the disturbing reality that America has become one of the most unequal societies in the industrialized world. In combination, these steps can enable us once again to build and maintain strong schools, strong communities, and a strong economy.