

## The Vast Division of National Wealth and Alternative Solutions

The most pressing issue that has arisen alongside capitalism since the mid-20th century is the staggering division between America's richest and poorest citizens. The wealth gap in the United States is not representative of the booming capitalist democracy that we claim to uphold but rather tells us that something is very wrong within our system. The middle class continues to shrink while the lower class gains members and the upper class accumulates more wealth at their expense. The continuous, rapid division in wealth acquisition and retention has left the majority of Americans in a position of economic stagnation or struggle. The wealth gap is the primary issue for social and economic inequity in the United States and has proven to be a response of a failing relationship between capitalism and the aim of social equality through democracy. In order to progress social equality, the wealth gap must be significantly decreased. The steep difference between the earnings and holdings of the bottom half of society and the top tenth of a percent is representative of a thing instead of people-oriented society. By creating and implementing programs such as a universal basic income (UBI), free permanent housing for the large chronically homeless population, the forgiveness of student debt and free public universities/secondary education or trade institutions, the wealth gap in the United States can quickly be dramatically decreased and eventually eradicated.

Before understanding the ways in which the wealth gap is immobilizing larger amounts of the American public at alarming rates, what is meant by wealth and how it is measured must first be discussed. Wealth differs from one's wage or their salary, but rather can be viewed as the 'net worth' of an individual or household. The Forbes 400 publication lists the wealthiest people in America yearly and blatantly demonstrates the growing divide between the richest and poorest

citizens. In 1982 the “poorest” American on the Forbes 400 list had a net worth of \$210 million (in today’s dollars) while today that number has reached over \$2 billion to even be placed on the list, 204 billionaires did not even make it on the list (Institute for Policy Studies, 2018). The net worth of individuals on the list had a combined wealth of more than the bottom 64 percent of households. The combined wealth of the 400 people on the Forbes list surpasses Great Britain’s GDP, the fifth largest economy in the world (Asante-Muhammad, 2019).

The gap of wealth between the richest and poorest Americans is even more staggering than the wage gap. Since 1975, the amount of wealth owned by the top 0.1 percent of society has tripled while the wealth of the bottom 40 percent has remained stagnant or decreased. Breaking this down further, the average income of CEOs from the top 350 corporations in the United States has rose nine times the amount of their salaries in 1978, seeing a 937 percent increase in their salaries while mid-level employees’ salaries only grew 10.2 percent and are making 300 times less than the CEOs at their respective companies (Asante-Muhammad, 2019). While this stark increase in wealth and capital accumulation has occurred, the rich and opportuned are only gaining more power and social influence while their workers and poor communities are left voiceless. Economic historian and sociologist Andre Gunder Frank explains, “The process of capital accumulation is a, if not the, principle motor of modern history. Structural inequality and temporal unevenness of capital accumulation are inherent to capitalism”. While the inequality of wealth prompted by a competitive, darwinian style market is intrinsic to the capitalist system, the extremity of our current economic environment shows an extension of capitalism more divisive than ever before seen, a state of neoliberal hypercapitalism.

Why is this happening? What are the implications? Karl Marx suggests that all of history has been defined by the struggle of war and resources, everything boiling down to the possession and acquisition of material needs. People will inherently compete and desire as many possessions as the man above him, but this does not explain the extremity of the wealth gap in modern America so we must look deeper. Wealth empires in the United States, many of which are still standing and gaining wealth today, utilized modern day slave labor to produce key commodities and practices that formed and shaped the capitalism we see today (Gonick & Kasser, 2015). One of the functions of capitalism is the employment of the cheapest labor possible to make the largest profit possible. An externality of this crusade has been women and immigrants working low paying jobs in urban communities, not by choice but rather necessity.

Automation has reduced the variety of jobs in the workforce and has forced already poor communities into lower paying jobs while the demand for highly trained persons increases, along with the price of living and education which are two necessary precursors for these positions. The price of living in places with highly technical or multinational companies is substantially larger on average than areas with industrial or factory jobs, adding another roadblock to poor people securing these positions. We keep along this path of limiting the spheres and allocations of production and continuously see how this excludes those less wealthy from the workforce or securing higher paying jobs, yet our current market economy is still widely regarded as sustainable and optimal. Economists at Oxford University estimate that around half of American jobs are susceptible to imminent elimination due to technological advancement. This automation has further increased the wealth gap and has placed a permanent threat of unemployment upon the working class.

In 2018, 12.3 percent, or greater than 41 million, of Americans lived below the poverty line, making \$25,750 or less a year for a family of four while 400,000 more people became millionaires (Clifford, 2018). While these people joined the elite group of millionaires, 100,000 people were identified as chronically homeless—a disproportionate amount of those chronically homeless being people of color in relation to the demographic composition of the country. To be chronically homeless is to have an ailment such as mental illness, addiction, or a medical condition while being in and out of housing or living on the streets (National Alliance to End Homelessness, 2018). Martin Luther King Jr. commented on this divisive institution, most pointedly how it has affected black Americans, saying, “Now we realize that the dislocations in the market operation of our economy and the prevalence of discrimination thrust people into idleness and bind them in constant or frequent unemployment against their will. The poor are less often dismissed from our conscience today by being branded as inferior and incompetent”. The narrative painted for the impoverished and homeless population is that they haven’t worked as hard, that the opportunities are there but they just haven’t taken advantage of them. Meanwhile, from the 2018 Forbes 400 list, 64 of its members placed by inheriting their full fortune, they have not worked to receive a single penny. Furthermore, 67 members have ranked on the list by growing their inheritance (Dolan, 2018).

In our political landscape today we can see the ways in which the wealth gap is affecting policies and elections. As previously mentioned, the immense separation between the wealth of the top tenth of a percent of Americans and the bottom 40 percent demonstrates a neoliberal system. The median net worth of a member of congress in 2018 was \$511,000, quintuple the average net worth of a household (Hawkings, 2018). Consequently, policies and bills drafted by

Congress are not representative of the average, or below average, American household simply because they do not understand. Be that as it may, this issue is not solved simply by just electing less wealthy individuals to congress or other elected positions. Campaigns take money and more importantly, time, something that has become a commodity in itself. One in three households report that they do not have any savings and would have difficulty paying off a \$1,000 bill unexpectedly (Martin, 2018). As the saying goes, “time is money and money is time,” and that is the reality for the majority of Americans working a minimum wage job and living paycheck to paycheck; they would rather, or more accurately they *must*, work to sustain themselves and do not have the time or savings to work to influence policy change that would minimize their economic struggles. Neoliberalism draws its social power from the political and economic actors whose interests it expresses. These powerful influencers are not poor; these influencers donate to campaigns, their corporations employ whole towns and they have weekly meetings with government officials, something that the bottom 40% of Americans simply cannot afford to do.

We see the disparities that have been caused by this staggering wealth gap and can measure them yet no transformative policies have been implemented and the market continues to function as it has since the latter half of the twentieth century—why? As outlined by Larry Gonick and Tim Kasser in their work “Hypercapitalism”, the answer can be found in the mechanistic workings of the neoliberal system that has emerged from a state of hypercapitalism. Visible from the consolidation and expansion of wealth empires over the past three decades, the wealth gap is favoring the already wealthy rather than aiding those living in conditions of mild to extreme poverty. The least wealthy are vocal about their distaste in the difference between their cumulative wealth and those multiple rungs above them but nothing seems to be changing,

actually on the contrary conditions continue to worsen. What keeps the social order from dissolving into chaos, despite the growing volume of the endangered population, is the continuity or survival of those very institutions and representatives of the old order of capitalism, based on rapid advancements and global dominance of the market. The public interest will never emerge, even at the cost of a few mathematical errors, from the vision of accountants that the new belief system presents as the supreme form of human accomplishment (Bourdieu, 1998).

One solution to mend the staggering wealth gap present in modern America is to give guaranteed free housing to all homeless and critically impoverished people. While there are programs currently instated such as Permanent Supportive Housing (PSH) and Housing First, they are not adequately funded and still leave thousands on the street every night. PSH offers housing, health care, and other supportive services to chronically homeless individuals and has shown to have a retention rate reaching 98 percent. One study of the PSH program showed that between 75 percent and 91 percent of individuals or families given free housing remained housed a year later (National Alliance to End Homelessness, 2019). The Housing First program is aimed towards both the chronically and occasionally homeless, not requiring them to attend any additional rehabilitation programs while still providing them with long-term housing. Both of these already initiated programs view housing as the foundation of any individual success and should be offered to those in need without question.

Building upon these programs, free or rent free housing should also be given to individuals and families living below the poverty line. The proven success of PSH and Housing First clearly demonstrate the success of providing free housing to those struggling economically; more people enter the workforce and engage in the market as both producers and consumers,

receive higher educations and live overall more fulfilling lives. Extending these programs to families living below the poverty line would yield the same result and help to close the wealth division between the bottom half of society and the few at the top. Additionally, investing in providing permanent and rent free housing would cost the average taxpayer less annually than they currently are spending on crisis services such as shelters, hospitals, jails and prisons (National Alliance to End Homelessness, 2019).

Looking at the wealthiest portion of society, an overwhelming majority of them share one thing in common— they are educated. In order to close the wealth gap, education needs to become more accessible, affordable, and universal. One way to achieve this reality is by making all public universities and secondary or trade institutions free and prompting private secondary institutions to dramatically decrease their tuition fees. Since public universities are mainly state funded and upheld, this would mean that additional funding would need to come from somewhere. As proposed by Senator Elizabeth Warren, by placing a 2 percent annual wealth tax on households with more than \$50 million in wealth and a 3 percent tax on income for households making more than \$1 billion a year in income the price of free, state funded universities could be covered in under 10 years (Harris, 2019).

Along with making public universities free, the cancellation of all standing student debt would help close the wealth gap by allowing individuals to advance further in their careers and acquire more wealth without the burden of debt, eventually advancing the standing of the lower and middle class. The Levy Economics Institute found that if the government cancelled all current student debt owed in the United States and bought out the remaining private creditors, the GDP would actually increase by more than \$20 million and would generate around 1.2 million

jobs. The \$1.5 trillion of student debt and increasingly high tuition rates discourage poor and disadvantaged communities from pursuing a higher education and force them into a state of economic stagnancy or disparity, making it nearly impossible to acquire and retain wealth at the same rate as those financially above them (Friedman, 2019).

The most comprehensive program that can be implemented to decrease the wealth gap is the idea of introducing a universal basic income to citizens of the United States. This universal basic income would be given to each U.S. citizen monthly and would not be taxed by the federal or state governments. In addition to salaries from jobs, this income could be used to pay for housing, medical care, or other living expenses (Torry, 2015). Without the stress of paying for basic human necessities such as shelter and food, the income from salaries could be put towards starting businesses, education, or stimulating the economy through more frequent and substantive participation. The implementation of a UBI would not change much for the rich, a \$1,000 check in the mail every month would not mean much to them, however the effects and growth of the lower class would be unparalleled. The poor would start looking more like the middle class and have a more active role in the economy because they would not be burdened with the fear of paying off a medical bill or their rent (Appel, 2017). To give every U.S. citizen \$1,000 a month would cost roughly \$3.9 trillion a year. This number seems lofty and frightening however the United States controls its own currency and has the ability to finance a UBI. Studies of programs such as the Earned Income Tax Credit (EITC) and food stamps show that the impacts greatly outweigh the cost to the federal government. Infants receiving benefits from these programs were shown throughout their lives to be less likely to be hospitalized, do better in school, have higher earnings, and likely will live longer (Torry, 2015). Programs like these

would be replaced by a UBI and families receiving subsidies would be able to spend their money how they prefer, whether that be child support so both parents (or single parent households) could work or medical services they could not otherwise afford.

Implementing a UBI would also increase the bargaining power of poor workers. This would force employers to raise wages because the poor workers would now have economic means that aren't taxed or supplied by their employers. They would be able to effectively fight for fair work conditions along with livable wages and benefits from their employer such as medical coverage and other insurances, ultimately supplying enough coverage and income to live a comfortable life, one not dependent on living paycheck to paycheck and in conditions of extreme poverty (Torry, 2015). This would translate to more stimulation of the economy, as well. The Roosevelt Institute has estimated that implementing a UBI would increase the economy by 13% over the first eight years and leave it permanently larger. Along with this increase in the economy, the extra \$1,000 a month would boost the amount of wealth in the bottom half of society by supplying them with extra income to have in their savings. Recessions might sting less when households have substantial, or any at all, savings to keep them afloat during economic hardships (King, 2017).

A Universal Basic Income would also help the polarization and separation of individuals on the basis of wealth and wealth accumulation. With all members of society having a basic, universal amount of money to build a foundation of wealth on, the influence of previously disadvantaged groups on governmental policies would rise to a level equal to the platform currently given to the upper-middle and upper class. In order to become a fully representative democracy, the wealth gap needs to decrease so the currently poor have more influence in

government. By raising the wealth of the poorest members of society they are given an opportunity to practice being active citizens, they are able to receive secondary educations and become more informed about policy and current issues, and they will influence more progressive policies that give support to underrepresented groups.

*In all your deliberations, in all your efforts at law-making, in all your official acts, self-interest shall be cast into oblivion. Look and listen for the welfare of the whole people and always have in view not only the present, but also the coming generations... the unborn of the future generations*

*-The Great Law of the Iroquois*

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