

A phenomenon of economic inequality in modern world

[Economics](#)



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Economic Inequality; Why It Is, How It Is, and When

Economic inequality is a major epidemic in the American Economy currently. One can see it anywhere - from the people in cashmere & twill suits walking down the street to the homeless people sitting on the sidewalks. It's everywhere, and it is going to dictate how we make public policy in the future. Because of its relevance right now, let's look into some of the signs & causes of economic inequality today.

Signs are interesting to look at first in order to entrench the idea that we're a lot worse-off when it comes to economic inequality than we think. One important sign is the wage gap between CEO's of companies and the average worker of their companies. Under the Dodd-Frank financial law after the 2008 crash, companies now are disclosing this information of their CEO's yearly pay compared to their average worker's yearly pay (Noguchi). As one can see in the graph below, many companies have a ratio upwards of 600 times difference in pay between CEO's and average workers - the highest being 1,951 times greater pay for the CEO.

These data are so important in understanding our perception of economic inequality in the U. S. because even though it is so prevalent right now, people believe the playing field to be less rigged than it is. As we know from a study done by a Harvard professor, when asked what this ratio is today, people thought CEO's made only 30 times more than average workers. 30 times more! And when we understand that the real ratio is skirting around several hundreds, we see now that even this very obvious sign of economic inequality has been down-played and underestimated in people's minds.

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Other signs of economic inequality are some of those discussed in the *Inequality For All* movie. In this film, Richard Reich found examples that were historically similar to the signs of inequality in the late 1920's, right before the Great Depression financial crash. Among these signs were: the financial sector booming, money put into speculation, ordinary worker wages stagnating, people en masse turning to debt as a means to maintain their standard of living (Reich). What these signs point to is the idea that the U. S. economy can still be flourishing, the GDP can be rising, and citizens can still be maintaining a standard of living while massive economic inequality is at its highest. This is part of why it may be so tricky to call inequality out because people can point to national metrics such as the GDP and say that our country actually is growing in wealth, even when in reality, that growth is accumulating in the hands of a very small group of people. These historical signs from the film also point to the necessity for an economic crash after inequality gets too high – something I think the billionaires would not like to hear. (It should be bad news to a billionaire to find that their absurd amounts of wealth depend on a critically unstable economy, which puts their own assets at risk when the next crash comes around.)

Finally, how did we come to be so unequal even as a capitalist society? Once again, Robert Reich makes a great point in saying that capitalism is guided by rules that we've already set in place. When those rules change, so do the nature of capitalism itself (Reich). Let's pick out some of the rules that have changed in the past few decades that have contributed to our current state of economic inequality. The weakening of unions in the 70's played a big role – either unintentionally or deliberately, unions were being broken up by

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companies and by government, and thus wages stagnated. Tax loopholes have been introduced for those at the top, corporate tax reductions and subsidies have been on the rise, allowing their wealth to accumulate even more. Corporate bailouts are a new rule of thumb. The loosening of the Glass Steagall act has contributed to bankers using ordinary citizen money for risky speculative behavior, widening the gap further. And finally, unlimited campaign finance donations from corporations have allowed the ultra-wealthy to have an even tighter grip on legislation that could entrench their own personal wealth over the prosperity of American citizens in general.

Inequality is a tricky subject. Many people in America are attached the idea that if you have the vision and gumption to start something completely new here, you will be able to become well-off. People seem to like this idea of the possibility of accumulating wealth, just the possibility. However, I think this idea is toxic when the situation that we're in happens to not allow people to find stable jobs, is stratifying and distancing people even further, is almost encouraging people to live on the streets, and is feeding into all sorts of other social justice issues. Upward mobility is a fine idea, but we should not be allowing the people at the bottom to go hungry or homeless. The very least we could do is change the rules of capitalism again, against the greed of the ultra-wealthy, and favored towards once again, enough shared wealth and prosperity for all.