

Inequalities and Concentration of Wealth in the USA Have Wide Implications

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It is a very significant aspect of US economy that despite being blessed by an exceptionally rich resource base, despite enjoying certain unique advantages of the dollar being the international reserve currency for a very long time, despite having certain other historical advantages and despite the country not hesitating to use its unmatched military strength and diplomatic clout to advance and protect its economic, trade and resource interests all over the world, the bottom half of the US population still has problems in meeting its basic needs.

While several explanations may be advanced, what may be particularly relevant is that the bottom 50% of the population has only 1.5% of the nation's wealth.

One reflection of this situation is that life expectancy in the USA remains low relative to almost all comparable countries in the 'developed' world. Another reflection is that while US has claims of 'feeding the world' its own farmers including family farmers and small farmers in particular have faced very high rates of loss and deterioration of livelihood, a working out of the widely voiced but terrible precept of 'get big or get out' or 'go big or go bust'. The very fact that such slogan-mongering can get acceptable hearing is a reflection that economic thinking has been systematically corrupted.

A study by the Urban Institute (UI) in 2018, before the pandemic struck, found that nearly 40 per cent of non-elderly adults and their families struggled to afford at least one basic need for health care, housing, utilities or food in 2017. Difficulties among the elderly are likely to be even higher. This figure increased further in the post-pandemic years, bringing it closer to the bottom 50% of the population.



It is conventional to speak of inequalities mainly in the context of the share of various segments of population in income and wealth. However in the context of exceptionally high military budget of the USA and its close linkages to excessive profits made by military contractors, particularly some giant arms companies, it makes sense to speak of militarization also being a part of the inequalities which deprive the bottom 50% of the population of access to basic needs. The USA spends close to 900 billion dollars a year on military expenses. This excludes many expenses listed as civilian but having strong military implications and relationships. A huge and increasing share of discretionary federal spending is taken up by military expenses.

The World Inequality Report 2022 tells us that the bottom 50% of the USA population has only 1.5% of its wealth and only 13% of its income. According to the Organization of Economic Cooperation and Development, the USA has the highest inequality in G7 countries— the USA has gini coefficient of 0.434 while for the remaining six countries this ranges between 0.326 (France) and 0.392 (UK). According to an inclusive development index prepared by the World Economic Forum the USA appeared at number 23 in a total of 30 rich countries. According to Stanford University's State of the Union—The Poverty and Inequality Report (2016) the USA is ranked at the bottom in an index of 10 rich countries. When this index was widened to include some of the less rich countries, the USA appeared at number 18 in a total of 21 countries.

A particularly startling figure brought out by the World Inequality Report 2022 tells us is that in the USA, the share of wealth held by the top 1% (35%) is 23 times higher than the share (1.5%) held by the bottom 50%! In 1968 the top 20 per cent of US households accounted for 43% of income but in 2018 they took away 52% of the income, more than the bottom 80% who got a share of only 48%.

It is this inequality and high military expenditure which is responsible to a significant extent for the deprivation suffered by a very large number of people in the middle of plenty.

The 2018 study of UI was based on a well-being and basic needs survey of non-elderly adults in the age-group 18-64. While 40% struggled to access at least one basic need, within this group 60% struggled to meet two basic needs and 34% struggled to meet three needs.

As many as 23% said that they were food insecure in the last 12 months. 18% struggled to pay medical bills while almost the same number (17.8%) decided to go without some required medical treatment due to costs. Deprivation levels were found to be higher among younger adults, women, households with children, blacks and Hispanics. Those struggling to

meet basic needs included several of those who were regarded not as poor but as middle-class.

This data is from a study of 18-64 age group. However in 2020 it was reported that child poverty levels (under 18 age group) have been found to be 1.5 times higher than adult poverty levels.

On the other hand, despite social security payments, a large number of the elderly persons are also unable to meet their basic needs. The Gerontology Institute at the University of Massachusetts Boston has prepared the Elderly Economic Security Standard Index which found that in 2016 a majority of seniors lacked the “financial resources required to meet basic needs”. Conditions in nursing homes have been often found to be precarious.

Despite Obamacare a Gallup poll in December 2019 found 25% of persons contacted saying that they or a member of their family had delayed treatment for an illness due to cost factors.

The number of homeless persons, estimated to be around 550,000 or so, is set to increase significantly. As the country emerged from the pandemic, in June 2021 nearly 2 million were found to be lagging behind mortgage payments and nearly 6 million were missing out in rent payments. A substantial number of these 8 million households face the threat of eviction, while the average number of cases of evictions filed in a year till 2018 was around 3.7 million. The landlords have legal counsel in over 90% of cases; the tenants rarely have such help. This amounts to about 10,000 eviction notices in a single day, a shocking figure surely, or 416 per hour, or 7 per minute.

A survey by the Guardian and Consumer Reports concluded some time back that as federal funding for ageing water systems has plummeted, millions of homes are being disconnected or placed into foreclosure each year. This survey found alarming levels of forever chemicals, arsenic and lead in samples taken across the USA.

Clearly the extent of denial of basic needs of people in a country so well-endowed for prosperity in various ways is inexcusable and its leading causes including excessive militarization and inequalities should be challenged and reduced.

There has been increasing concern in recent times regarding the incredible concentration of not just wealth and income but also control and decision making at world level. With unprecedented global linkages and technological changes, the dangers of a handful of persons exercising undue and excessive control have increased rapidly, with very worrying implications for people worldwide.

The top 0.01 per cent of the world’s people have 11 per cent of its wealth. Since the 1990s the top 1 per cent captured 38 per cent of the growth of wealth, while the bottom 50% could capture only 2%. In the top 0.1% section, the per capita wealth of an adult amounts to 14,133,400 euros. According to Forbes listing, there were 2755 billionaires in the world in 2021. Among them the 724 who are in the USA are likely to be closer to the levers of control and power compared to those in other countries, at least as of now. This is not to understate the influence of billionaires in other countries, just two are known to exercise huge power and dominance in a leading country like India.

In the USA according to an organization named Americans for Tax Fairness, during the

pandemic the top 10 billionaires increased their wealth at the rate of one billion dollars per day, or 12600 dollars per second. The wealth of this top 10 increased from \$600 billion to 1300 billion, or more than doubled, during this period of about 2 years or so.

Several of these richest billionaires, as well as their multinational companies have become highly controversial in the context of their domination of crucial sectors in ways that can adversely impact most people in world. These sectors include health, food and farming, trade, transport, information, finance, banking and other crucial sectors, even outer space! Several of these super-rich, their cronies and employees, have joined in key positions in specially created international platforms with representatives of government, UN and other international organizations to create such influential groups that, for all practical purposes, what they decide spreads quickly to a large part of the world.

These billionaires and their cronies also use the platforms of loosely structured organizations to advance imperialist agendas of control and profit, covered up suitably, which cannot be stated directly or officially by certain governments or even by corporate entities. In this context some recent data from the USA regarding the extent of control exercised by a few companies is revealing.



On February 17 2022 **Senator Bernie Sanders**, Chairman of the State Budget Committee USA, made a statement before the Committee which is very significant in terms of exposure of the extent of wealth and concentration among top investment companies and the control exercised by them over the economy and the lives of poor people. These comments were delivered at a hearing 'Warrior Met and Wall Street Greed: What Corporate Raiders are doing to Workers and Consumers'.

Sanders started by saying,

"Today, we are going to discuss an issue that is almost never talked about in Congress and the corporate media-the incredible concentration of ownership and power that a handful of Wall Street investment firms have over our entire economy, and the enormous impact they have on workers, consumers, and virtually every person in our country. Today, in America, just three Wall Street firms - BlackRock, Vanguard and State Street - manage \$22 trillion in assets."

To put this figure in perspective, he added,

"the amount of money these three firms control is nearly equal to the entire Gross Domestic Product (GDP) of the United States and more than five times the GDP of Germany. These three firms are major shareholders in more than 96 percent of S&P 500 companies. In other words, they have significant influence over many hundreds of companies that employ millions of American workers and, in fact, the entire economy."

Sanders went on to highlight the extent of their control in some important sectors:

- Banking- These three Wall Street investment firms are the largest shareholders of some of the biggest banks in America - JP Morgan Chase, Wells Fargo, and Citibank.
- Transport- They are among the top owners of all four major airlines - American, Southwest, Delta and United.
- Healthcare- Together, they own an average of 20 percent of the major drug companies.

More generally, Wall Street firms have bought up thousands of nursing homes where profits and mortality rates have soared. They are also responsible for the astronomical prices at emergency rooms, increasing prices by over 60 percent and driving over half a million Americans into bankruptcy each year.

Sanders stated

These three companies control nearly one-fourth of votes at shareholder meetings, leveraging their power to influence CEO compensation, stock buybacks, environmental commitments, mergers, and pension benefits. In addition to the Big Three, a small handful of Wall Street vulture funds - so-called "private equity" firms - also have an enormous control over industry after industry after industry.

This control impacts people in terms of growing unemployment and reduced incomes. Over the past two decades, private equity takeovers have slashed nearly 1.3 million jobs and shut down nearly 20,000 stores in the retail industry - including Toys R Us, Payless, and Dollar General.

At a time of increasing homelessness and eviction threats, these companies have been increasing their control and profits in the housing sector too. Last year, a small number of Wall Street firms and other extremely wealthy investors bought about one out of every 7 homes in some of the largest cities in America and now own over a million apartments, hiking rents by as much as 30 percent and neglecting needed repairs and the safety of tenants.

A small number of Wall Street firms control half of the newspapers in America, thereby exercising a big influence on media.

Sanders indicted a "handful of Wall Street firms that buy up companies, load them up with debt and make a huge amount of money by laying off workers, slashing wages, shipping jobs overseas and eliminating healthcare and pension benefits."

According to recent studies, Sanders pointed out, after these Wall Street firms takeover companies as a result of a "leveraged buyout," jobs are slashed by 13 percent, wages fall by 6 percent and the companies that Wall Street firms takeover are 10 times more likely to declare bankruptcy.

In the case of Warrior Met Coal in Brookwood, Alabama where workers were then engaged in a strike for 11 months fighting for economic justice and dignity on the job, in 2016 a group of private equity funds led by Apollo and Blackstone acquired Walter Energy and formed Warrior Met Coal. As part of the restructuring, workers were forced to take a \$6 per hour

wage cut—over 20 percent—and massive cuts to their health and retirement benefits. This was just one of several cases. At a moment of unprecedented corporate greed in this country, attacks against working people are taking place in company after company, in industry after industry.

Sanders concluded with some memorable words,

“Never before in American history have so few owned so much and had so much power over our entire economy.”

These observations of Bernie Sanders are very important for understanding the ongoing phase of the political economy of the biggest economy and biggest military power of the country, and should be widely discussed. At a wider level, the concentration of wealth and power as well as its extremely harmful, wide-ranging impacts should get much more attention worldwide.

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