I. Economy: Inequality in Wealth and Power

A. Function

B. Capitalism

1. characteristics

2. U.S.

a. free market capitalism

b. inequality, but

c. equality of opportunity

d. meritocracy

e. education and hardwork

3. social location : deserved

II. Inequality in Wealth

A. Wealth

1. definition

2. net worth

3. financial wealth

B. net worth

1. Top 1% : 35%-40% of net worth

2. Top 10% = 71%

3. Top 20% = 80%

C. Financial wealth

1. Top 1% = 40%

2. Top 10% = 90%

(Stocks, trusts, business equity, financial securities)

D. Net worth: trend (top 1%)

1. Since 1970: +2x

2. 2001 to 2008 ($186 billion to $816 billion)

E.. Net worth: trend (top 1%)

1. since 1970s

2. 2001 to 2008 ($186 billion to $816 billion)

c. top 20% v bottom 20%

d. other industrial countries

F.. Comparison

1. Industrial countries

2. Historically

G. Middle class

1. Middle 20%: net worth $82,000

2. Wealth

a. principal residence

b. stocks: 80% less than $10,000

c. life insurance, pensions/401 Ks, savings

3. Trend

1. +debt

b. downward mobility

H. Poor and working class

1. bottom 50% 2.5% of wealth

2. bottom 20%: -$11,400

3. Trend

I. Median Net Worth: Race

1. White $120, 400

2. Black and Hispanic: approx $20,000

III. Inequality in Income

A. Definition

1. from work vs from investment

2. real income

3. median household: $50,000

B. Concentration

1. top 20% received 50.1%

2. top 0.1% + 120 million

3. investment income: top 10% receive 80%

4. bonuses: financial industry (38 companies= $146 billion)

C. Trend

1. Gini index .466 ^

2. CEOs:

a. 1980 40x/present 350-400x

b. 2009 avg top 81 $9.8 million +8%

c. Top 400: 2001 to 2008 (2x to $263 million- 63% capital gains, tax rate 16.6%)

3. Comparison

a. industrial countries

1. historically

D. Median Household Income: Race

1. White $50,784

2. Black $30, 858

3. Hispanic $35,967

4. Trend

a. Same

b. New trend: class within race

E. Inequality by gender: income

1. $41, 386m : $31,858 w

1. w -1.8%

IV. Rich get Richer, the poor get poorer and the middle class gets shafted?

A. Rich get Richer

1. Lower tax rates

a. tax cuts ($425/$60,000/$521,000)

b. capital gains ($5/$25,000/$500,000)

b. estate tax (1.2%, $1 trillion)

c. top 400 17.2%

2. Privileged Investment Opportunities

1. IPOs (Initial Public Offerings)

b. complex investment strategies

3. Privileged occupations; “Bonuses” (38=$146 billion)

4. Increased Corporate Profits= increased dividends

a. 2001 $503 billion 2008 $1.35 trillion

b. drug companies 2001 $30 billion 2008 $80 billion

c. Tax havens

i.British Virgin Islands home to 400,000 corporations

ii.80% of largest corps in U.S. in tax havens

B. Poverty (The poor get poorer)

1. poverty line
2. extent of poverty
   1. 2004 35.9, 2008 39.8

b. 13.2%

1. types of poverty

a. near poor

b. minimum wage and working poor

c. poor poor (extremely poor)

4. poverty and life chances

5. myth of welfare

6. who benefits?

a. pool of low wage laborers

b. “volunteers” for all volunteer military

c. poverty serving occupations

1. poverty surcharge
2. “truth” of conventional wisdom
3. scapegoats

C. Middle class

V. Free Market Capitalism or Corporatism

A. Size

1. How big?

2.US economy: 500 largest corporations

a. business assets

b. sales

c. profits

B. Concentration

1. Shared Monopolies

2. Interlocking Directorates

C. Causes

1. Deregulation

2. Mergers

3. Acquisition

VI. Corporations

A. Corporation: Definition

1. Early America

a. limit profit

b. chartered by state

i. specific purpose

ii. meeting for public social need

iii. limited time

iv. capitalization

c. could not own another company

d. shareholders liable

2. Fourteenth Amendment

1. Equal Protection Clause

b. Corporation is “ legal person”

c. Free Speech: Buckley v Valeo

B. Present: Most powerful institution in society

1. chartered but no limits on purpose

2. unlimited capitalization

3. eternal

4. “ own other persons”!

5. shareholders not liable

6. sole legal obligation: maximize profit

C. Corporatism

1. power over economy

a. shape market place

b. eliminate competition

c. control labor

i. offshoring

ii. technology

d. “too big to fail”

2. power over political system

3. power over mass media

4. power over other countries

5. power to shape foreign policy