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## **From Economic Apartheid to Political Revolution**

*By Joel S. Hirschhorn*

Americans have always accepted a certain level of economic inequality as the inevitable consequence of an open capitalist society where some people through their own efforts do better than others. The presumption is that there is fairness in the marketplace and economic system. What a quaint, outdated belief. Do most Americans really believe that the game is not rigged by rich powerful elites to preferentially benefit them? As certain as the law of gravity, the game IS rigged, and more than ever.

We have a plutocratic corporate state that now has taken economic inequality to new levels – in fact to what now is a sick and shameful condition of economic apartheid. To a society that increasingly separates Americans into two classes: the wealthy Upper Class and the Lower Class. The Upper Class has protected and gated mansions, private vacation spots and spas, special access shopping venues, private schools, lavish entertainment options, luxurious hospital accommodations, and private jets and stretch limos. The Upper Class does everything possible to PHYSICALLY separate itself from the poor, repugnant and uncouth members of the Lower Class. This physical separation is the hallmark of economic apartheid. The only contact the wealthy have and want with Lower Class people is when the latter serve, protect and pamper them. And of course they expect the hugely larger Lower Class to keep spending and borrowing their way into economic despair and to keep sustaining the two-party mafia. Voting for Democrats and Republicans is as meaningful as voting for American Idol contestants. Nothing more than a self-destructive distraction.

In Las Vegas the truly rich have their private gambling rooms and clubs, and occupy special access suites. In sports stadiums they luxuriate in their glass boxes high above the masses. In the Pacific and Caribbean they have their private island hideaways. On the oceans they travel in self-indulgent yachts. They eat in private rooms in the most expensive restaurants. The biggest entertainment stars come to them in their private social functions. And, yes, they have all the access they want to high government officials in both major parties because they provide them with all the campaign money they need. And hidden from public view they – and only they – have incredible opportunities to invest their riches to easily receive 30 percent annual gains with little taxation. As they get ever richer they find it increasingly difficult to spend all their wealth – but they handle the chore with alacrity.

What is remarkable about this new society is that there are MILLIONS of these super-rich, physically isolated Americans. They mingle with millions more throughout the world. As globalization has devastated the once proud middle class it has expanded this elitist wealthy class worldwide, even in the poorest nations.

Economic statistics keep solidly documenting growing economic inequality. But I fear that the most economically oppressed and barely surviving peasants have neither the time nor energy to ponder and fret over these data. Here are some new data that reveal an important historic reality.

Economists Emmanuel Saez and Thomas Piketty have recently revealed just how horrendous the inequality gap has become. Way back in 1928, the last full year before the Great Depression began, the families that made up America's richest top hundredth of 1 percent had incomes that averaged \$8.2 million, as measured in dollars inflation-adjusted to 2005 levels. That is one per 10,000 households. In 1928 that amounted to some 5,000 households. These super-rich averaged 891 times more income than families in the bottom 90 percent averaged. By 1955, in the midst of post-World War II prosperity, families in the top hundredth of 1 percent took home only \$3.8 million, in inflation-adjusted dollars. They made just 179 times the average bottom 90 percent income. There was much more economic equality because of shared prosperity. Even in 1980, the richest of the rich took home 175 times more than Americans in the bottom 90 percent - still relatively good economic equality. Then things changed.

Consider the figures for 2005: the top hundredth of 1 percent, about 10,000 households, averaged \$25.7 million in income, three times the money in 1928. This amounted to 882 times more than the bottom 90 percent average — an economic inequality gap in 2005 that's almost identical to the 891-to-1 divide in 1928! Welcome to the modern billionaire world of the rich getting much, much richer, while everyone else stagnates. Of course, the top 1 percent of households are also extremely rich — some 1 million families or 3 million people — relatively to the bottom, majority 90 percent.

Married couples with children now account for fewer than one-quarter of American households — the lowest in history. It is the Upper Class that now emphasizes marriage with children. Married households with children are twice as likely to be in the top 20 percent of income. Some 13 percent of the increase in the nation's income inequality since the 1970s results from the marriage of high income earners. Marriage is now for the rich. What does that say about American democracy and culture? That the Upper Class is like an inbred aristocracy. Children of the rich will marry other children of the rich.

Another critically important change in the real (ugly) America is the bursting of the traditional fantasy-belief that people can educate themselves into wealth. Is getting more Americans educated and trained all we need to do to attack economic inequality? If so, then inequality should fall over periods of time when people become more educated. Right? Americans have become more educated over the last three decades. In 1970, only three out of four Americans aged 25-29 had completed high school. In 2004, nearly nine of ten Americans that age had a high school education. In 1970, only 16 percent of Americans in their late 20s held a four-year college degree. By 2004, that had nearly doubled to 29 percent. Something else has nearly doubled since 1970: the share of national income that goes to America's richest 1 percent.

That means that the share going to average Americans has dropped. Lower Class Americans in the bottom 90 percent of the nation's income distribution took home 67 percent of U.S. income in 1970, but only 53 percent in 2004, despite their greater education and productivity. American reality: We've become more unequal at the same time we've become more educated. Why? Education doesn't determine how income and wealth – or macro domestic and global prosperity – are distributed in our unfair system. The Upper Class ensures that increasing fractions of income and wealth go to them.

Here is more painful statistical truth: In 2004, the most recent year with IRS data just about 25,000 taxpayers took home over \$5 million. After exploiting every loophole they paid an average 21.9 percent of their incomes in federal income tax. Back in 1952, at the height of the Korean War, the comparable federal tax bite on America's richest 25,000 averaged 51.9 percent. About a decade earlier, in the middle of World War II, the 25,000 highest-income taxpayers in the United States paid 68.4 percent of their incomes in federal income tax. How things have changed for the wealthy. A greater fraction of the nation's prosperity has gone to the Upper Class AND they pay less tax! Economic power produces political power.

This is worth pondering: When will the economic inequality that has morphed into two-class economic apartheid provide sufficient pain and disgust for a few hundred million Americans to fuel political revolution?

When will the stranglehold of the Upper Class on the political system that criminally distorts the economic system be busted? When will Lower Class consumers that drive the economy take back their sovereign power? When will they understand they are losing the class war and revolt?

It will take historically unique action, not electing different Democrats or Republicans. Our Constitution provides the tool – not used for over 200 years because the power elites do not want it used – an Article V convention outside the control of the White House and Congress to consider political and government reforms. Learn more about it at [www.foavc.org](http://www.foavc.org).