



The Policy Institute

“The Widening Wealth Gap”

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The Policy Institute blends authoritative research and hands-on political engagement to create public policy based on economic justice, fair taxation, corporate accountability and environmental responsibility.

The person who defines the question we ask defines the answer we get. In the Legislature the question is, what services must we cut? But the real problem is that more and more money is being concentrated in fewer and fewer hands. And those individuals are contributing less and less to the cost of public services.

This problem has been building across Republican and Democratic administrations for the last 30 years. The super rich in our society want us to continue focusing on the deficit and Social Security at the national level and cutting school funding and human services locally. It keeps us from asking what we ought to expect from them as fellow citizens.

Just who are these “super rich” people? The top 1 percent of families in America control 34.6 percent of all the wealth in the country. The next 9 percent control another 38.5 percent. That leaves 90 percent of us with just 26.9 percent of all the wealth in the country.

For those individuals in the top one-hundredth of 1 percent, the average annual income is over \$27 million per year. The bottom 90 percent of us earn a little over \$31,000 per year. We have not seen this kind of “wealth disparity” since the turn of the century when the Robber Barons ruled the country. Guess what ... they’re back.

American politics is driven more by interest groups than by individual voters. Most of us know it and most of us complain about it. Unfortunately, this problem is getting worse, not better.

Though we have a two-party system, it really doesn’t offer much of a choice. Historically the two parties were different. The Democrats were the party of “Big Labor” and the Republicans were the party of “Big Business.” And these two interest groups had very different political agendas. But, as organized labor began to decline through the 1970s and 1980s, Democratic politicians turned to big corporations for financial support. And, of course, this began to affect how Democrats vote. Today there is little partisan disagreement on the big three traditional themes of Big Business: privatize, deregulate and cut taxes.

As a result, taxes on the very wealthiest Americans have been reduced through both Republican and Democratic administrations. The top income tax rate levied on the wealthiest Americans dropped from 66.4 percent in 1945 to 32.4 percent in 2010. We have deregulated everything from banks to electricity to home mortgages. We have privatized public services, from custodians to prisons, enabling corporate interests to generate profits in these “new markets.” All of this has encouraged wealth to concentrate in fewer and fewer hands while the middle class has dramatically lost financial ground.

Here in Montana we are not insulated from the national trend. In 1999 the Legislature cut the rate on business equipment in half. While the measure helped some small businesses, the lion’s share of the tax cuts went to the very largest corporations in Montana, among them the most profitable oil companies in the world.

In the middle of a budget crisis in 2003 the Montana Legislature cut both the income tax rate on the wealthiest Montanans and the capital gains tax levied on those fortunate enough to have income from an investment portfolio. The non-partisan Montana Budget and Policy Center reports that just two years later over half of the money from the income tax rate cuts alone went to families earning over \$500,000 per year.

These cuts, among others, have helped to shift the cost of paying for public services to Montanans who work for a paycheck. But, we are not hearing about that in this Legislature. In between the goofy bills about guns and secession from the Union, all we hear about is the need for more and more cuts to services.

Almost no one dares propose increasing taxes on the wealthy or big corporations. Instead all we hear about is cutting services and who gets hurt. Imagine how different this debate would be if the question was, how do we make sure everyone is paying their fair share?